

COUNTY OF MONROE
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2014



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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YEAR ENDED DECEMBER 31, 2014

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FINANCIAL SECTION

Independent Auditors' Report

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Monroe as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County of Monroe's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County of Monroe's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component units of Pleasant Valley Manor, Inc. or the Monroe County Conservation District, which represent 87%, 57% and 99%, respectively, of the assets, net position and revenues of the business-type activities; 100%, 100% and 100%, respectively, of the assets, net position and revenues of the major Enterprise Funds; and 61%, 61% and 90%, respectively, of the assets, net position and revenues of the Other Enterprise Funds. We also did not audit the financial statements of the Monroe County Industrial Development Authority, the Pocono Mountains Industrial Park Authority, Pocono Mountains Industries, Inc., the Monroe County Municipal Waste Management Authority, the Pocono Mountains Municipal Airport Authority, or the Redevelopment Authority of Monroe County (aggregate discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented and blended component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Pleasant Valley Manor, Inc., a blended component unit, as well as the aggregate discretely presented component units of the Monroe County Industrial Development Authority, the Pocono Mountains Industrial Park Authority, Pocono Mountains Industries, Inc., the Monroe County Municipal Waste Management Authority and the Pocono Mountains Municipal Airport Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2014, implementing Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to these matters.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Monroe as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, budgetary comparison information on pages 87 and 88 and the pension plan information on pages 89 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Monroe's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the County of Monroe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Monroe's internal control over financial reporting and compliance.



Oaks, Pennsylvania
September 23, 2015

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

INTRODUCTION

This section of the financial statements for the County of Monroe (the "County") presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2014. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2014.

FINANCIAL HIGHLIGHTS

At December 31, 2014, the total General Fund balance was \$18,346,356. The unassigned portion was \$12,517,326 up from \$11.04 million the previous year.

Property tax rates were at 21.25 mills for 2014.

Total Primary Government net position at year-end was \$27,835,724.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information

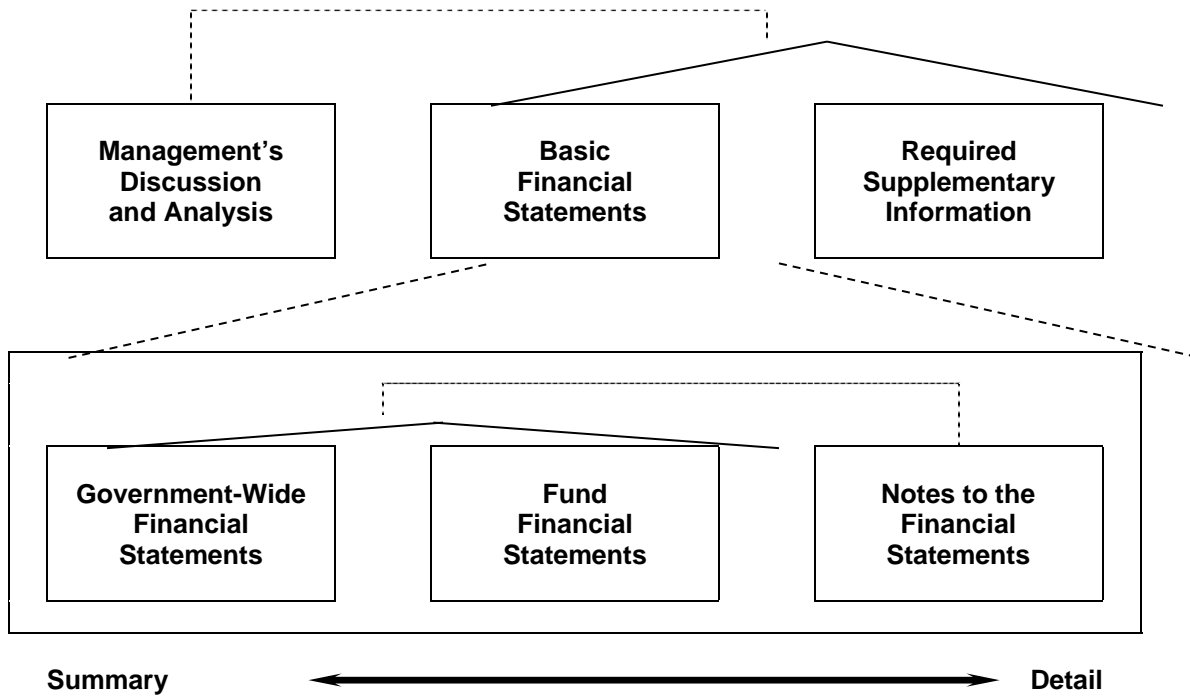
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the County government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the County's pension plan and budget to actual figures for the General Fund.

The basic financial statements present two different views of the County.

- **Government-Wide Financial Statements**, the first two statements, provide information about the County's overall financial status as well as the financial status of the County's component units.
- **Fund Financial Statements**, the remaining statements, focus on individual parts of the County government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - **Governmental Funds** statements show how general government services, such as public safety, were financed in the short-term, as well as what remains for future spending.
 - **Proprietary Funds** statements offer short-term and long-term financial information about the activities the County operates like a business, such as the Sewer and Water Fund.
 - **Fiduciary Funds** statements reflect activities involving resources that are held by the County as a trustee or agent for the benefit of others, including employees of the County, like the pension plan. Fiduciary Funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Table A-1: Organization of the County's Annual Financial Report



COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County and component units (except Fiduciary Funds)	The day-to-day operating activities of the County, such as public safety and courts	The activities of the County, such as the Sewer and Water Fund	Instances in which the County administers resources on behalf of others, such as the employee pension plan
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements report information about the County as a whole using the accounting methods similar to those used by private-sector companies.

- The **statement of net position** includes all of the County's assets and liabilities, except Fiduciary Funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The **statement of activities** focuses on how the County's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the County's financial position. Over time, increases or decreases in the County's net position are one indicator of whether the County's financial position is improving or deteriorating. However, other nonfinancial factors, such as changes in the County's real property tax base and general economic conditions, must be considered to assess the overall position of the County.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has two blended component units--Pleasant Valley Manor, Inc. and the Monroe County Conservation District. Also, the County has six discretely presented component units--the Monroe County Industrial Development Authority; Pocono Mountains Industrial Park Authority; Pocono Mountains Industries, Inc.; Monroe County Municipal Waste Management Authority; the Pocono Mountains Municipal Airport Authority; and the Redevelopment Authority of Monroe County. Complete and detailed financial statements for the individual component units are available for public inspection in the County Controller's Office (see Note A).

There are two categories for the primary government.

- **Governmental Activities** include the County's basic services such as general and judicial administration, corrections, public safety, public works and human services. Property taxes and state and federal grants finance most of these activities.
- **Business-Type Activities** such as the County's Sewer and Water Fund charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differs from the Governmental Funds balances because Governmental Fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays of capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expenses using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position is that with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

FUND FINANCIAL STATEMENTS

Fund financial statements provide more detailed information on the County's most significant funds, *not the County as a whole*. Funds are accounting devices, i.e., a group of related accounts the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Governmental Accounting Standards Board (GASB) for governments.

The County has three kinds of funds:

- **Governmental Funds** include most of the County's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis and a current financial resources measurement focus. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds is described in a reconciliation that follows the Governmental Fund financial statements.

The County adopts an annual budget for the General Fund, certain Special Revenue Funds and the Capital Projects Fund, as required by state law. Budgetary comparisons for the County's major funds are presented as required supplementary information.

- **Proprietary Funds** report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

- Fiduciary Funds** are funds for which the County is the trustee or fiduciary. These include the Employee Retirement Fund and certain Agency Funds or clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The County is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

Monroe County's total assets were \$99,967,675 at December 31, 2014. Of this amount, \$45,863,452 was invested in capital assets.

GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The County adopted the provisions of GASB Statement No. 34 related to infrastructure on the retroactive basis. As a result, for the year ended December 31, 2014, infrastructure assets are capitalized in the County's financial statements.

Table A-3
Condensed Statements of Net Position

	Governmental Activities			Business-Type Activities		
	2014	2013	Percentage Change	2014	2013	Percentage Change
ASSETS						
Current and other assets	\$ 49,948,415	\$ 42,947,663	16.3%	\$ 4,155,808	\$ 4,045,914	2.7%
Capital assets	42,810,825	44,067,386	-2.9%	3,052,627	3,321,396	-8.1%
TOTAL ASSETS	92,759,240	87,015,049	6.6%	7,208,435	7,367,310	-2.2%
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	179,800	37,532	379.1%	-	-	0.0%
Related to pensions	735,462	-	100.0%	-	-	0.0%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	915,262	37,532	2338.6%	-	-	0.0%
LIABILITIES						
Long-term debt outstanding	59,390,655	64,788,129	-8.3%	1,992,203	1,346,298	48.0%
Other liabilities	8,660,611	8,267,904	4.7%	3,003,744	3,612,098	-16.8%
TOTAL LIABILITIES	68,051,266	73,056,033	-6.9%	4,995,947	4,958,396	0.8%
NET POSITION						
Net investment in capital assets	11,385,073	8,969,248	-26.9%	1,766,171	1,997,389	-11.6%
Restricted	8,157,302	8,325,312	-2.0%	667,999	590,832	13.1%
Unrestricted	6,080,861	(3,298,012)	-284.4%	(221,682)	(179,307)	23.6%
TOTAL NET POSITION	\$ 25,623,236	\$ 13,996,548	83.1%	\$ 2,212,488	\$ 2,408,914	-8.2%

COUNTY OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

The following statements of activities represent changes in net position for the years ended December 31, 2014 and 2013. It shows revenues by sources and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4
Condensed Statements of Activities

	Governmental Activities			Business-Type Activities		
	2014	2013	Change from 2013 to 2014	2014	2013	Change from 2013 to 2014
REVENUES						
Program revenues						
Charges for services	\$ 14,354,508	\$ 14,693,953	\$ (339,445)	\$ 14,156,900	\$ 13,910,281	\$ 246,619
Operating grants and contributions	27,654,010	29,593,708	(1,939,698)	902,073	974,112	(72,039)
Capital grants and contributions	277,358	245,143	32,215	-	-	-
General revenues						
Property taxes	45,989,909	46,767,375	(777,466)	-	-	-
Hotel room rental tax	291,273	345,834	(54,561)	-	-	-
Licenses and permits	40,661	40,190	471	-	-	-
Interest, investment earnings and royalties	626,664	654,384	(27,720)	480	537	(57)
Miscellaneous	214,012	534,340	(320,328)	-	-	-
Transfers (internal activities)	(140,959)	(983,900)	842,941	140,959	983,900	(842,941)
TOTAL REVENUES	89,307,436	91,891,027	(2,583,591)	15,200,412	15,868,830	(668,418)
PROGRAM EXPENSES						
General government						
Administrative	10,801,903	10,199,491	602,412	-	-	-
Judicial	15,148,625	15,542,152	(393,527)	-	-	-
Public safety	19,481,010	19,919,275	(438,265)	-	-	-
Public works	2,413,903	2,211,323	202,580	-	-	-
Human services	22,544,448	24,198,750	(1,654,302)	13,934,515	14,412,211	(477,696)
Culture and recreation	2,735,220	2,792,604	(57,384)	-	-	-
Sewer and water services	-	-	-	208,727	198,892	9,835
Conservation and development	2,438,985	3,409,255	(970,270)	1,253,596	1,329,242	(75,646)
Interest on long-term debt	2,116,654	2,040,638	76,016	-	-	-
TOTAL PROGRAM EXPENSES	77,680,748	80,313,488	(2,632,740)	15,396,838	15,940,345	(543,507)
CHANGE IN NET POSITION	\$ 11,626,688	\$ 11,577,539	\$ 49,149	\$ (196,426)	\$ (71,515)	\$ (124,911)

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

NET PROGRAM EXPENSES

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2014 and 2013, general property taxes brought in \$45,989,909 and \$46,767,375, respectively. Table A-5 depicts the net program expenses for the years ended December 31, 2014 and 2013.

Table A-5
Net Cost of Governmental and Business-Type Activities

Program	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government				
Administrative	\$ 10,801,903	\$ 5,441,291	\$ 10,199,491	\$ 4,818,683
Judicial	15,148,625	8,782,648	15,542,152	9,083,603
Public safety	19,481,010	13,555,808	19,919,275	15,150,715
Public works	2,413,903	(699,551)	2,211,323	(720,502)
Human services	22,544,448	3,818,497	24,198,750	2,014,688
Culture and recreation	2,735,220	331,076	2,792,604	369,739
Conservation and development	2,438,985	2,048,449	3,409,255	3,023,120
Interest on long-term debt	2,116,654	2,116,654	2,040,638	2,040,638
Human services - BTA	13,934,515	346,362	14,412,211	1,091,184
Sewer and water services - BTA	208,727	68,055	198,892	83,650
Conservation and development - BTA	1,253,596	(76,552)	1,329,242	(118,882)
	<u>\$ 93,077,586</u>	<u>\$ 35,732,737</u>	<u>\$ 96,253,833</u>	<u>\$ 36,836,636</u>

The County relied on property taxes and other general revenues to fund 51% and 50% of its governmental and business-type activities in 2014 and 2013, respectively.

The property tax is based on the assessed value of real property. Property tax revenues for 2014 have decreased slightly in comparison to 2013. There was no change in the millage rate in 2014. The County's millage rate was 21.25 in 2014 and 2013. Accordingly, real property tax revenue decreased approximately 1.6% in 2014 and increased by less than 1% in 2013. The County's current millage rate of 21.25 is below the Commonwealth set cap of 25 mills for operating costs.

CAPITAL ASSETS

The County's investment in capital assets at December 31, 2014, net of accumulated depreciation was \$42,810,825 for governmental activities and \$3,052,627 for business-type activities. Capital assets consist primarily of land, buildings, machinery and tools and infrastructure. Table A-6 is a summary of capital assets at December 31, 2014 and 2013.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Table A-6
Capital Assets

	2014		2013	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	\$ 1,945,826	\$ 263,262	\$ 1,945,826	\$ 263,262
Collection	-	3,725	-	3,725
Agricultural easements	20,181,953	-	20,181,953	-
Sewer improvements	-	936,148	-	936,148
Land improvements	-	452,745	-	452,745
Buildings and improvements	35,925,949	6,347,377	36,361,182	6,347,377
Equipment and furniture	5,295,528	6,795,421	7,343,498	6,658,954
Infrastructure	3,648,587	-	3,533,424	-
Accumulated depreciation	(24,187,018)	(11,746,051)	(25,298,497)	(11,340,815)
	<u>\$ 42,810,825</u>	<u>\$ 3,052,627</u>	<u>\$ 44,067,386</u>	<u>\$ 3,321,396</u>

Buildings and improvements, net of accumulated depreciation, account for 41% of the County's capital assets for governmental activities. The listed agricultural easements for the County under governmental activities is for land that is valued for purposes of real property at its current agricultural use valuation purchased with the County's General Fund or matching grant money.

Other detailed information about the County's capital assets can be found in Note J.

DEBT ADMINISTRATION

Long-Term Debt

At December 31, 2014, the County had \$59,390,655 of long-term debt outstanding for governmental activities. This was a decrease of \$5,397,474 from the previous year. Table A-7 details activity related to the long-term debt.

Table A-7
Statement of Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
General obligation debt	\$ 57,311,716	\$ 19,215,000	\$ (24,102,835)	\$ 52,423,881
Issuance discount	(201,452)	-	188,492	(12,960)
Bond premium	1,201,496	1,832,402	(361,655)	2,672,243
Compensated absences	244,850	15,823	-	260,673
Net pension liability	5,373,849	-	(1,836,002)	3,537,847
Self-insurance claims payable	857,670	7,012,823	(7,361,522)	508,971
	<u>\$ 64,788,129</u>	<u>\$ 28,076,048</u>	<u>\$ (33,473,522)</u>	<u>\$ 59,390,655</u>

Bond Rating

The County's current bond rating through Moody's is Aa2. The current combined net nonelectoral and net lease rental debt limit for 2015 will be approximately \$106,000,000.

COUNTY OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

GOVERNMENTAL FUNDS

The County of Monroe uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Governmental Funds is to provide information on near-term inflows, outflow and balances of resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

The County's Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund. The General Fund is the chief operating fund for the County. Special Revenue Funds are restricted to specific legislated use, while construction and other projects funded primarily through bond issues are accounted for through the use of the Capital Projects Fund. The Debt Service Fund is used to accumulate funds to pay the principal and interest on debt. The major funds are shown on the statement of revenues, expenditures and changes in fund balance and the balance sheet in the financial statements.

Governmental Funds Revenues

Governmental Funds revenues by source at December 31, 2014 and 2013, are summarized below. Table A-8 also presents changes from 2013 to 2014.

Table A-8
Revenues by Source, Governmental Funds

	<u>2014</u>	<u>2013</u>	<u>Change from 2013 to 2014</u>
Real estate taxes	\$ 46,088,812	\$ 46,642,063	\$ (553,251)
Licenses and permits	40,661	40,190	471
Intergovernmental	27,931,368	29,838,851	(1,907,483)
Charges for services	14,354,508	14,693,953	(339,445)
Hotel room rental tax	291,273	345,834	(54,561)
Investment income	133,384	159,074	(25,690)
Miscellaneous revenue	214,012	534,340	(320,328)
Proceeds from refunding bonds	21,047,402	-	21,047,402
Operating transfers in	4,929,135	2,420,817	2,508,318
	<u>\$ 115,030,555</u>	<u>\$ 94,675,122</u>	<u>\$ 20,355,433</u>

Governmental Funds revenue totaled \$115,030,555 for the year ended December 31, 2014. This was an increase of \$20,355,433 or 21.5% from the previous year, largely due to proceeds from 2014 refunding bond issues.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Governmental Funds Expenditures

Governmental Funds expenditures by function at December 31, 2014 and 2013, are summarized below. Table A-9 also presents changes from 2013 to 2014.

Table A-9
Expenditures by Function, Governmental Funds

	<u>2014</u>	<u>2013</u>	<u>Change from 2013 to 2014</u>
General government			
Administrative	\$ 10,728,456	\$ 10,176,459	\$ 551,997
Judicial	15,291,053	15,092,169	198,884
Public safety	19,630,670	19,328,600	302,070
Public works	2,332,101	2,181,691	150,410
Human services	22,948,859	24,095,737	(1,146,878)
Culture and recreation	2,675,497	2,729,390	(53,893)
Conservation and development	2,533,300	3,402,970	(869,670)
Debt service principal	3,617,835	4,022,907	(405,072)
Debt service interest	1,862,784	2,224,472	(361,688)
Debt issue costs	203,137	-	203,137
Capital improvements	717,906	1,309,503	(591,597)
Payment to refund bond escrow	20,844,265	-	20,844,265
Operating transfers out	5,006,655	2,513,932	2,492,723
Transfers to component units (Note H)	63,439	890,785	(827,346)
	<u>\$ 108,455,957</u>	<u>\$ 87,968,615</u>	<u>\$ 20,487,342</u>

Governmental Funds expenditures totaled \$108,455,957 for the year ended December 31, 2014. This represents an increase of \$20,487,342 or 23.3% from the prior year, largely due to payments made to refund outstanding bonds in 2014.

Governmental Funds Balances

Table A-10 reflects ending balances for Governmental Funds and net position for Proprietary Funds at December 31, 2014.

Table A-10
Ending Fund Balances, Governmental Funds
Net Position, Proprietary Funds

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$ 18,346,356	\$ -
Capital Projects Fund	436,788	-
Open Space Fund	674,672	-
Other Governmental Funds	7,643,368	-
Pleasant Valley Manor, Inc.	-	(185,332)
Other Enterprise Funds	-	2,397,820
	<u>\$ 27,101,184</u>	<u>\$ 2,212,488</u>

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

The County's Governmental Funds reported a combined fund balance of \$27,101,184 at December 31, 2014. Of that total, \$12,517,326 was unassigned in the General Fund and is available to meet the County's current and future needs.

The General Fund is the primary operating fund of the County. At December 31, 2014, the total General Fund balance was \$18,346,356 as stated above; the unassigned portion was approximately \$12.5 million, up from \$11.0 million in 2013.

The \$436,788 in the Capital Projects Fund and the \$674,672 in the Open Space Fund of the County are maintained to account for the financial resources expended for the acquisition, renovation, or construction of major County facilities and the County Open Space Program, respectively.

BUDGETARY HIGHLIGHTS

The County Finance Department revises the budget on an ongoing basis. These revisions include budgeted transfers from one line item to another and amendments to the bottom line of various funds. The requests for line item transfers are submitted by departmental and agency heads and, if deemed appropriate and after consideration of GAAP and County policy, are entered into the system. Commissioner approval is required. Increases or decreases to the bottom line of an individual fund or budget amendments are entered as new sources of revenue are known or unplanned operating expenditures become evident. New grants are a common source of budget amendments requiring Commissioner approval. The Board of Commissioners of the County, on December 20, 2013, presented the adopted budget for 2014. This reflected a total budget of \$88.8 million, \$54.8 million of which related to the General Fund.

ECONOMIC FACTORS

According to US Census 2014 Population Estimates, Monroe County's population is currently 166,314. From 2000 to 2010, Monroe County has experienced an overall increase of 22.5%. In 2011, Monroe County's population was at 169,882 and overall growth has slowed.

The average Unemployment Rate in Monroe County for 2014 was 7.3%. Monroe County's current rate, 6.5% is higher than the Commonwealth's rate of 5.4%. These percentages are significantly less than last year at this time. In July 2015, our civilian labor force totaled 78,800.

According to the Center for Workforce Information and Analysis, retail trade remains the largest industry sector in the County, followed by Health care and Accommodation and Food Services is the third largest sector, followed closely by manufacturing and other services.

Our tourism industry has remained strong based on our proximity to major population centers and has seen significant growth over the past year. Camelback Mountain Resorts completed construction on a large expansion project including a 400 room hotel and indoor waterpark and opened their doors in April 2015. Kalahari Resorts & Conventions opened Phase I of their hotel, convention center, indoor/outdoor waterpark with a Grand Opening on July 1, 2015. Phase II of the project adding 400 more rooms, additional convention center space and waterpark.

The Tobyhanna Army Depot continues to be the largest employer in Northeast Pennsylvania with about 3,800 employees and they are currently undergoing an extensive renovation project. On July 8, 2015, Colonel Gregory Peterson took command of the Depot from Colonel Gerhard Schroter.

Monroe County's largest private employer is Sanofi Pasteur who currently employs about 2,200 and are also currently constructing an additional building on their Swiftwater campus.

COUNTY OF MONROE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

The Pocono Medical Center (PMC) opened the West End Care Center in Brodheadsville, Chestnuthill Township in February 2015 and the next one is planned for Smithfield Township. PMC has also announced plans to construct Pocono Medical Center West, a new full-service hospital in Tannersville.

Also in healthcare, St. Luke's Hospital has begun construction on their new Bartonsville campus in Stroud Township. The \$80,000,000 project is expected to be complete in September 2016.

In November 2014, Summit Aerospace officially opened the doors of their new facility in the Pocono Mountains Corporate Center South where they employ about 25 people in highly skilled machining positions.

DEPG Associates has begun the process of developing the 120 acre Mosier property in Smithfield Township. The project will be done in 3 phases and includes road improvements to Routes 447 & 209 and the construction of a new connector road through the project.

Recently several of our available industrial buildings were sold or leased: The former Pocono Record Printing facility in Tannersville was sold to Derr Mechanical Construction, the former Liquid Fence Building in Mount Pocono was sold to Continental Auto Parts and the former Liz Claiborne warehouse building in Mount Pocono was leased to NFI Logistics.

Overall, Monroe County's economy continues to be diverse, and we are seeing growth in a variety of industry sectors specifically manufacturing. Commercial real estate professionals have indicated a significant upswing in prospect activity and leasing opportunities. It should also be noted that in our region, industrial vacancy rates have dropped 6 percent since 2009, meaning there is positive absorption.

NEXT YEAR'S BUDGET

The 2015 budget for Monroe County was presented on December 19, 2014, in the amount of \$95.4 million, including a General Fund budget of \$55.5 million.

For 2015, the millage rate remained at 21.25 mills. 18.62 mills will be utilized for general purposes and 2.63 mills are designated for debt service obligations.

All nonunion employees will receive a 3% COLA on January 1, 2015.

The total capital budget projected for 2015 is \$941,512 and \$4,550,000 was appropriated to Capital Reserve for future building renovations and improvements.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning this financial information or requests for additional information should be directed to the County of Monroe, Office of Fiscal Affairs, One Quaker Plaza, Room 204, Stroudsburg, PA 18360-2164.

COUNTY OF MONROE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Cash and cash equivalents (Note B)	\$ 29,995,485	\$ 1,265,926	\$ 31,261,411	\$ 2,079,992
Receivables				
Accounts	2,616,042	1,779,488	4,395,530	7,753,670
Taxes	4,634,705	-	4,634,705	-
Grants	-	-	-	6,694,465
Prepaid expenses	-	119,059	119,059	35,656
Inventories	7,714	281,050	288,764	64,608
Due from other governmental units	1,139,478	-	1,139,478	-
Due from retirement fund	11,635	-	11,635	-
Internal balances	(432,906)	432,906	-	-
Other assets	-	4,702	4,702	21,676,473
Restricted cash and investments	-	119,673	119,673	28,113,982
Interfund loans receivable (Note K)	1,776,556	153,004	1,929,560	-
Loan receivable from component unit (Note K)	7,363,368	-	7,363,368	-
Accrued interest on loan receivable from component unit	2,836,338	-	2,836,338	-
Economic development loans receivable (Note S)	-	-	-	110,000
Notes receivable, land and building projects (Note M)	-	-	-	4,178,611
Note receivable (Note U)	-	-	-	594,861
Capital assets (Note J)				
Land	1,945,826	263,262	2,209,088	2,545,854
Construction in progress	-	-	-	8,933
Collection	-	3,725	3,725	-
Agricultural easements	20,181,953	-	20,181,953	-
Sewer improvements	-	936,148	936,148	261,100
Land improvements	-	452,745	452,745	13,107,860
Buildings and improvements	35,925,949	6,347,377	42,273,326	5,079,226
Equipment and furniture	5,295,528	6,795,421	12,090,949	3,462,200
Infrastructure	3,648,587	-	3,648,587	-
Accumulated depreciation	(24,187,018)	(11,746,051)	(35,933,069)	(9,354,183)
TOTAL ASSETS FORWARD	92,759,240	7,208,435	99,967,675	86,413,308
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	179,800	-	179,800	-
Related to pensions	735,462	-	735,462	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	915,262	-	915,262	-
LIABILITIES				
Lines of credit	-	-	-	66,556
Payables				
Accounts	7,422,627	1,744,112	9,166,739	307,123
Grants	-	-	-	7,012,292
Due to TIF Districts	-	-	-	27,714,989
Accrued liabilities	418,527	1,242,494	1,661,021	2,969,893
Lot deposits	-	-	-	91,000
Unearned revenue	-	17,138	17,138	73,523
SUBTOTAL FORWARD	\$ 7,841,154	\$ 3,003,744	\$ 10,844,898	\$ 38,235,376

COUNTY OF MONROE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

		Primary Government		Component Units
		Governmental Activities	Business-Type Activities	
				Totals
ASSETS				
TOTAL FORWARDED	\$	92,759,240	\$ 7,208,435	\$ 99,967,675
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL FORWARDED		915,262	-	915,262
LIABILITIES				
SUBTOTAL FORWARDED		7,841,154	3,003,744	10,844,898
Construction obligations		-	-	-
Due to other governmental units		819,457	-	819,457
Notes payable, land and building projects		-	-	-
Long-term liabilities (Note E)				
Portion due or payable within one year				
Self-insurance claims payable		508,971	-	508,971
Compensated absences		167,683	-	167,683
Bonds and notes payable		3,994,190	-	3,994,190
Portion due or payable after one year				
Net pension liability		3,537,847	-	3,537,847
Compensated absences		92,990	-	92,990
Payable from restricted assets		-	62,643	62,643
Interfund loans payable (Note K)		-	1,929,560	1,929,560
Loan payable to primary government		-	-	-
Bonds and notes payable		51,088,974	-	51,088,974
TOTAL LIABILITIES		68,051,266	4,995,947	73,047,213
NET POSITION				
Net investment in capital assets		11,385,073	1,766,171	13,151,244
Restricted for				
Debt service		77,080	-	77,080
Capital projects		436,788	-	436,788
Open space purchases		674,672	-	674,672
Liquid fuels street improvements		618,984	-	618,984
Domestic relations grant programs		2,673,774	-	2,673,774
Adult supervisory programs		782,270	-	782,270
DUI processing		83,284	-	83,284
Affordable housing grant programs		816,782	-	816,782
County record improvement program		688,432	-	688,432
Other grant programs		1,305,236	-	1,305,236
Conservation		-	667,999	667,999
Industrial and economic development		-	-	-
Public works		-	-	-
Unrestricted		6,080,861	(221,682)	5,859,179
TOTAL NET POSITION	\$	25,623,236	\$ 2,212,488	\$ 27,835,724

See accompanying notes to the basic financial statements.

COUNTY OF MONROE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government				
Administrative	\$ 10,801,903	\$ 5,360,612	\$ -	\$ -
Judicial	15,148,625	4,756,918	1,609,059	-
Public safety	19,481,010	811,544	5,113,658	-
Public works	2,413,903	606,646	2,229,450	277,358
Human services	22,544,448	24,108	18,701,843	-
Culture and recreation	2,735,220	2,404,144	-	-
Conservation and development	2,438,985	390,536	-	-
Interest on long-term debt	2,116,654	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	77,680,748	14,354,508	27,654,010	277,358
Business-type activities				
Human services	13,934,515	13,586,703	1,450	-
Sewer and water services	208,727	140,672	-	-
Conservation and development	1,253,596	429,525	900,623	-
TOTAL BUSINESS-TYPE ACTIVITIES	15,396,838	14,156,900	902,073	-
TOTAL PRIMARY GOVERNMENT	\$ 93,077,586	\$ 28,511,408	\$ 28,556,083	\$ 277,358
COMPONENT UNITS				
Industrial and economic development	\$ 14,163,056	\$ 894,695	\$ 13,242,925	\$ 84,505
Waste management	1,884,498	1,748,853	-	-
Airport operation	1,031,215	308,163	45,000	137,409
Public works	2,172,261	267,802	1,976,801	-
TOTAL COMPONENT UNITS	\$ 19,251,030	\$ 3,219,513	\$ 15,264,726	\$ 221,914
GENERAL REVENUES				
Property taxes, general levy				
Hotel room rental tax				
Licenses and permits				
Interest, investment earnings and royalties				
Miscellaneous				
Gain on sale of assets				
TRANSFERS (Note H)				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated (Note W)				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (5,441,291)	\$ -	\$ (5,441,291)	
(8,782,648)	-	(8,782,648)	
(13,555,808)	-	(13,555,808)	
699,551	-	699,551	
(3,818,497)	-	(3,818,497)	
(331,076)	-	(331,076)	
(2,048,449)	-	(2,048,449)	
(2,116,654)	-	(2,116,654)	
(35,394,872)	-	(35,394,872)	
-	(346,362)	(346,362)	
-	(68,055)	(68,055)	
-	76,552	76,552	
-	(337,865)	(337,865)	
(35,394,872)	(337,865)	(35,732,737)	
			\$ 59,069
			(135,645)
			(540,643)
			72,342
			(544,877)
45,989,909	-	45,989,909	-
291,273	-	291,273	-
40,661	-	40,661	-
626,664	480	627,144	8,620
214,012	-	214,012	42,018
-	-	-	63,620
(140,959)	140,959	-	-
47,021,560	141,439	47,162,999	114,258
11,626,688	(196,426)	11,430,262	(430,619)
13,996,548	2,408,914	16,405,462	17,734,736
\$ 25,623,236	\$ 2,212,488	\$ 27,835,724	\$ 17,304,117

COUNTY OF MONROE**BALANCE SHEET****GOVERNMENTAL FUNDS****DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Children and Youth Fund</u>
ASSETS		
Cash and cash equivalents (Note B)	\$ 19,712,968	\$ 3,250
Receivables, net of uncollectible accounts		
Accounts	920,973	623,524
Taxes	4,634,705	-
Due from		
Other funds (Note G)	5,286,240	1,170,073
Other governmental units	69	592,433
Interfund loans receivable (Note K)	643,104	-
TOTAL ASSETS	<u>\$ 31,198,059</u>	<u>\$ 2,389,280</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 5,615,066	\$ 1,289,430
Accrued liabilities	139,701	-
Due to		
Other funds (Note G)	3,320,756	1,099,850
Other governmental units	20,994	-
TOTAL LIABILITIES	<u>9,096,517</u>	<u>2,389,280</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue, property taxes	<u>3,755,186</u>	<u>-</u>
FUND BALANCES		
Nonspendable, interfund loans receivable	643,104	-
Restricted to		
Debt service	-	-
Capital projects	-	-
Open space purchases	-	-
Liquid fuels street improvements	-	-
Domestic relations grant programs	-	-
Adult supervisory programs	-	-
DUI processing	-	-
Affordable housing grant programs	-	-
County record improvement program	-	-
Other grant programs	-	-
Committed to capital projects	4,650,000	-
Assigned to Internal Service Fund	535,926	-
Unassigned	12,517,326	-
TOTAL FUND BALANCES	<u>18,346,356</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 31,198,059</u>	<u>\$ 2,389,280</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects Fund</u>	<u>Open Space Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 616,156	\$ 1,058,764	\$ 8,604,347	\$ 29,995,485
-	-	1,033,024	2,577,521
-	-	-	4,634,705
-	-	3,105,529	9,561,842
-	-	546,976	1,139,478
-	-	597,526	1,240,630
<u>\$ 616,156</u>	<u>\$ 1,058,764</u>	<u>\$ 13,887,402</u>	<u>\$ 49,149,661</u>
\$ 153,179	\$ 330	\$ 303,273	\$ 7,361,278
-	-	-	139,701
26,189	383,762	5,142,298	9,972,855
-	-	798,463	819,457
<u>179,368</u>	<u>384,092</u>	<u>6,244,034</u>	<u>18,293,291</u>
-	-	-	3,755,186
-	-	597,526	1,240,630
-	-	77,080	77,080
436,788	-	-	436,788
-	674,672	-	674,672
-	-	618,984	618,984
-	-	2,673,774	2,673,774
-	-	782,270	782,270
-	-	83,284	83,284
-	-	816,782	816,782
-	-	688,432	688,432
-	-	1,305,236	1,305,236
-	-	-	4,650,000
-	-	-	535,926
-	-	-	12,517,326
<u>436,788</u>	<u>674,672</u>	<u>7,643,368</u>	<u>27,101,184</u>
<u>\$ 616,156</u>	<u>\$ 1,058,764</u>	<u>\$ 13,887,402</u>	<u>\$ 49,149,661</u>

COUNTY OF MONROE

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 27,101,184
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,945,826
Agricultural easements	20,181,953
Buildings and improvements	35,925,949
Equipment and furniture	5,295,528
Infrastructure	3,648,587
Accumulated depreciation	(24,187,018)
TOTAL CAPITAL ASSETS (Note J)	<u>42,810,825</u>

Property taxes and loans receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

3,754,111

Long-term assets applicable to the County's governmental activities are not due and collectible in the current period and accordingly are not reported as fund assets. All assets are reported in the statement of net position. Balances at December 31, 2014, are:

Loan receivable from component unit	7,363,368
Accrued interest on loan receivable from component unit	2,836,338
	<u>10,199,706</u>

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2014, are:

Net pension liability	(3,537,847)
Compensated absences (Note T)	(92,990)
Accrued interest on bonds	(443,854)
Bonds and notes payable (Note E)	(52,423,881)
Deferred charges on refunding	179,800
Unamortized premiums and discounts	(2,659,280)
TOTAL LONG-TERM LIABILITIES	<u>(58,978,052)</u>

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

735,462

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>25,623,236</u></u>
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See accompanying notes to the basic financial statements.

COUNTY OF MONROE**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Children and Youth Fund</u>
REVENUES		
Real estate taxes, net	\$ 40,611,746	\$ -
Licenses and permits	40,661	-
Intergovernmental	5,165,311	12,782,222
Charges for services	10,359,070	-
Hotel room rental tax	46,566	-
Investment income	103,433	-
Miscellaneous	212,850	125
	<u>56,539,637</u>	<u>12,782,347</u>
TOTAL REVENUES		
EXPENDITURES		
General government		
Administrative	10,533,991	-
Judicial	12,760,087	-
Public safety	19,288,169	-
Public works	-	-
Human services	297,133	16,500,242
Culture and recreation	64,020	-
Conservation and development	1,866,579	-
Debt service		
Principal payments	-	-
Interest and fiscal charges	-	-
Debt issuance costs	-	-
Capital improvements	248,370	23,998
	<u>45,058,349</u>	<u>16,524,240</u>
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,481,288</u>	<u>(3,741,893)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in (Note H)	135,983	3,741,893
Operating transfers out (Note H)	(4,803,061)	-
Transfers to component units	(63,439)	-
Original issue premium	-	-
Proceeds from refunding bonds	-	-
Payment to refunded bond escrow agent	-	-
	<u>(4,730,517)</u>	<u>3,741,893</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	6,750,771	-
FUND BALANCES AT BEGINNING OF YEAR	<u>11,595,585</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,346,356</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects Fund</u>	<u>Open Space Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 5,477,066	\$ 46,088,812
-	-	-	40,661
-	-	9,983,835	27,931,368
2,400,000	-	1,595,438	14,354,508
-	-	244,707	291,273
4,967	8,427	16,557	133,384
-	-	1,037	214,012
<u>2,404,967</u>	<u>8,427</u>	<u>17,318,640</u>	<u>89,054,018</u>
90,280	-	104,185	10,728,456
-	-	2,530,966	15,291,053
-	-	342,501	19,630,670
-	-	2,332,101	2,332,101
-	-	6,151,484	22,948,859
2,400,000	-	211,477	2,675,497
-	666,721	-	2,533,300
-	-	3,617,835	3,617,835
-	-	1,862,784	1,862,784
198,059	5,078	-	203,137
211,256	-	234,282	717,906
<u>2,899,595</u>	<u>671,799</u>	<u>17,387,615</u>	<u>82,541,598</u>
<u>(494,628)</u>	<u>(663,372)</u>	<u>(68,975)</u>	<u>6,512,420</u>
-	-	1,051,259	4,929,135
-	(10,303)	(193,291)	(5,006,655)
-	-	-	(63,439)
1,786,592	45,810	-	1,832,402
18,735,000	480,000	-	19,215,000
(20,323,533)	(520,732)	-	(20,844,265)
<u>198,059</u>	<u>(5,225)</u>	<u>857,968</u>	<u>62,178</u>
(296,569)	(668,597)	788,993	6,574,598
<u>733,357</u>	<u>1,343,269</u>	<u>6,854,375</u>	<u>20,526,586</u>
\$ <u><u>436,788</u></u>	\$ <u><u>674,672</u></u>	\$ <u><u>7,643,368</u></u>	\$ <u><u>27,101,184</u></u>

COUNTY OF MONROE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 6,574,598
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,974,469) exceeded capital outlays (\$717,906) in the current period (Note J).

(1,256,563)

Bond proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position (Note E).

Compensated absences	(21,155)
Proceeds from refunding bonds	(19,215,000)
Unamortized premiums and discounts	(1,832,402)
Payment to refunding bond escrow agent	20,844,265
Principal repayments	3,617,835
Deferred charges on refunding	(383,716)
NET ADJUSTMENT	3,009,827

Property taxes collected after year-end are not considered available revenues in the Governmental Funds. Deferred revenues increased by this amount during the year.

(98,901)

Governmental funds report pension contributions as expenditures. However in the statement of activities, these contributions reduce the net pension liability.

2,571,464

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment combines the net changes of two balances (Note E):

Accrued interest on bonds	(6,899)
Amortization of debt premium and discount	339,882
COMBINED ADJUSTMENT	332,983

Interest accrued on the loan receivable from component unit is not considered available revenue in the Governmental Funds. The loan receivable from component unit increased by this amount during the year:

Accrued interest	493,280
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 11,626,688
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See accompanying notes to the basic financial statements.

COUNTY OF MONROE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds			
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note B)	\$ 704,148	\$ 561,778	\$ 1,265,926	\$ -
Accounts receivable	1,712,007	67,481	1,779,488	39,594
Prepaid expenses	105,452	13,607	119,059	-
Inventories	274,101	6,949	281,050	7,714
Due from other funds (Note G)	-	432,906	432,906	1,688,523
Interfund loans receivable	-	153,004	153,004	535,926
TOTAL CURRENT ASSETS	2,795,708	1,235,725	4,031,433	2,271,757
NONCURRENT ASSETS				
Restricted cash and investments	57,643	62,030	119,673	-
Other assets	4,702	-	4,702	-
Capital assets				
Nondepreciable	9,538	257,449	266,987	-
Depreciable, net	1,872,758	912,882	2,785,640	-
TOTAL NONCURRENT ASSETS	1,944,641	1,232,361	3,177,002	-
TOTAL ASSETS	\$ 4,740,349	\$ 2,468,086	\$ 7,208,435	\$ 2,271,757
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 1,690,984	\$ 53,128	\$ 1,744,112	\$ 64,005
Accrued liabilities	1,242,494	-	1,242,494	-
Unearned revenue	-	17,138	17,138	-
Due to other funds (Note G)	-	-	-	1,698,781
Self-insurance claims payable	-	-	-	508,971
TOTAL CURRENT LIABILITIES	2,933,478	70,266	3,003,744	2,271,757
NONCURRENT LIABILITIES				
Payable from restricted assets	62,643	-	62,643	-
Interfund loans payable (Note K)	1,929,560	-	1,929,560	-
TOTAL NONCURRENT LIABILITIES	1,992,203	-	1,992,203	-
TOTAL LIABILITIES	4,925,681	70,266	4,995,947	2,271,757
NET POSITION				
Net investment in capital assets	595,840	1,170,331	1,766,171	-
Restricted for conservation	-	667,999	667,999	-
Unrestricted	(781,172)	559,490	(221,682)	-
TOTAL NET POSITION	(185,332)	2,397,820	2,212,488	-
TOTAL LIABILITIES AND NET POSITION	\$ 4,740,349	\$ 2,468,086	\$ 7,208,435	\$ 2,271,757

See accompanying notes to the basic financial statements.

COUNTY OF MONROE
**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Enterprise Funds			
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 13,061,368	\$ 570,197	\$ 13,631,565	\$ 7,226,208
MA cost report settlement	525,335	-	525,335	-
Miscellaneous	-	-	-	1,292,043
TOTAL OPERATING REVENUES	<u>13,586,703</u>	<u>570,197</u>	<u>14,156,900</u>	<u>8,518,251</u>
OPERATING EXPENSES				
Services and supplies	-	208,727	208,727	8,518,251
Patient care	13,932,271	-	13,932,271	-
Conservation and development	-	1,253,596	1,253,596	-
TOTAL OPERATING EXPENSES	<u>13,932,271</u>	<u>1,462,323</u>	<u>15,394,594</u>	<u>8,518,251</u>
OPERATING LOSS	<u>(345,568)</u>	<u>(892,126)</u>	<u>(1,237,694)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	480	480	-
Grants and subsidies	1,450	900,623	902,073	-
Interest expense	<u>(2,244)</u>	<u>-</u>	<u>(2,244)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(794)</u>	<u>901,103</u>	<u>900,309</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(346,362)</u>	<u>8,977</u>	<u>(337,385)</u>	<u>-</u>
TRANSFERS				
Operating transfers in (Note H)	<u>63,439</u>	<u>77,520</u>	<u>140,959</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(282,923)</u>	<u>86,497</u>	<u>(196,426)</u>	<u>-</u>
NET POSITION AT BEGINNING OF YEAR	<u>97,591</u>	<u>2,311,323</u>	<u>2,408,914</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ (185,332)</u>	<u>\$ 2,397,820</u>	<u>\$ 2,212,488</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONROE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds			Internal Service Fund
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 14,155,901	\$ 532,853	\$ 14,688,754	\$ -
Receipts from interfund services provided	-	-	-	7,514,745
Other cash receipts	-	-	-	1,292,647
Payments to suppliers	(6,503,039)	(393,283)	(6,896,322)	(8,824,528)
Payments to employees	(7,299,123)	(346,991)	(7,646,114)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	353,739	(207,421)	146,318	(17,136)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net operating transfers in	-	36,526	36,526	-
Subsidies and grants	(31,072)	282,522	251,450	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(31,072)	319,048	287,976	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments on debt	(2,244)	-	(2,244)	-
Net repayments on line of credit	(390,000)	-	(390,000)	-
Borrowing of long-term debt	643,104	-	643,104	-
Other financing receipts	-	5,773	5,773	17,136
Purchase of fixed assets	(125,977)	(42,433)	(168,410)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	124,883	(36,660)	88,223	17,136
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	-	480	480	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	447,550	75,447	522,997	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	314,241	548,361	862,602	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 761,791</u>	<u>\$ 623,808</u>	<u>\$ 1,385,599</u>	<u>\$ -</u>

COUNTY OF MONROE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds			Internal
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (345,568)	\$ (892,126)	\$ (1,237,694)	\$ -
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	361,597	69,780	431,377	-
Noncash (gain) loss	93,762	(677)	93,085	-
Noncash staffing costs	-	632,854	632,854	-
(Increase) decrease in				
Accounts receivable	375,608	(1,213)	374,395	604
Prepaid expenses	(26,098)	(1,305)	(27,403)	-
Inventories	104,777	1,041	105,818	2,314
Due from				
Other funds	-	-	-	50,376
Other governmental units	-	(1,515)	(1,515)	-
Increase (decrease) in				
Accounts payable	(168,550)	12,228	(156,322)	40,108
Accrued liabilities	(41,789)	-	(41,789)	-
Deferred revenue	-	(26,488)	(26,488)	-
Due to other funds	-	-	-	238,161
Self-insurance claims payable	-	-	-	(348,699)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>353,739</u>	\$ <u>(207,421)</u>	\$ <u>146,318</u>	\$ <u>(17,136)</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONROE**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****DECEMBER 31, 2014**

	Employee Retirement Trust Fund	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 19,149,687	\$ 19,149,687
Accounts receivable	39,302	-	39,302
Investments	<u>77,450,046</u>	<u>-</u>	<u>77,450,046</u>
TOTAL ASSETS	<u>77,489,348</u>	<u>\$ 19,149,687</u>	<u>96,639,035</u>
LIABILITIES			
Due to other funds (Note G)	11,635	\$ -	11,635
Funds held in escrow	<u>-</u>	<u>19,149,687</u>	<u>19,149,687</u>
TOTAL LIABILITIES	<u>11,635</u>	<u>\$ 19,149,687</u>	<u>19,161,322</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 77,477,713</u>		<u>\$ 77,477,713</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONROE**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2014**

	<u>Employee Retirement Trust Fund</u>
ADDITIONS	
Contributions	
Employee contributions	\$ 1,437,818
Employer contributions	<u>2,837,641</u>
TOTAL CONTRIBUTIONS	<u>4,275,459</u>
Investment income	
Dividends	1,670,226
Net appreciation in fair value of investments	<u>3,266,588</u>
TOTAL INVESTMENT INCOME	<u>4,936,814</u>
Investment management fees	<u>(222,348)</u>
INVESTMENT INCOME, net	<u>4,714,466</u>
TOTAL ADDITIONS	<u>8,989,925</u>
DEDUCTIONS	
Benefit payments to retired plan participants	2,819,962
Refunds of employee contributions	528,619
Other expenses	<u>11,556</u>
TOTAL DEDUCTIONS	<u>3,360,137</u>
CHANGE IN NET POSITION	5,629,788
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	<u>71,847,925</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	<u>\$ 77,477,713</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONROE**COMBINING STATEMENT OF NET POSITION****COMPONENT UNITS****DECEMBER 31, 2014**

	Monroe County Industrial Development Authority	Pocono Mountains Industrial Park Authority
ASSETS		
Cash and cash equivalents	\$ 698,507	\$ 95,952
Receivables		
Accounts	66,706	128,196
Related-party component units	296	43,658
Grants	6,623,517	-
Prepaid expenses	7,777	11,940
Inventories	-	-
Other assets	6,753	7,814
Restricted cash and investments	27,960,828	152,251
Notes receivable, land and building projects (Note M)	-	-
Note receivable (Note U)	594,861	-
Capital assets		
Nondepreciable	-	8,933
Depreciable, net	1,457	137,277
Interfund receivable	-	-
Economic development loans receivable	-	-
TOTAL ASSETS	<u>35,960,702</u>	<u>586,021</u>
LIABILITIES		
Line of credit	-	-
Payables		
Accounts	867	129,338
Related-party component units	11,308	-
Grants	7,012,292	-
Due to TIF Districts	27,714,989	-
Accrued liabilities	-	1,092
Interfund payable	-	-
Lot deposits	-	-
Unearned revenue	-	-
Construction obligations	-	-
Notes payable, land and building projects	-	-
Long-term liabilities (Note E)		
Portion due or payable within one year		
Compensated absences	-	-
Bonds and notes payable	-	85,403
Portion due or payable after one year		
Compensated absences	-	-
Loan payable to primary government	-	-
Bonds and notes payable	-	-
TOTAL LIABILITIES	<u>34,739,456</u>	<u>215,833</u>
NET POSITION		
Net investment in capital assets	1,457	146,210
Restricted for other purposes	252,978	-
Unrestricted	966,811	223,978
TOTAL NET POSITION	<u>\$ 1,221,246</u>	<u>\$ 370,188</u>

See accompanying notes to the basic financial statements.

<u>Pocono Mountains Industries, Inc.</u>	<u>Monroe County Municipal Waste Management Authority</u>	<u>Pocono Mountains Municipal Airport Authority</u>	<u>Redevelopment Authority of Monroe County</u>	<u>Total Component Units</u>
\$ 144,231	\$ 147,203	\$ 155,064	\$ 839,035	\$ 2,079,992
7,392,432	151,403	14,933	-	7,753,670
-	-	-	-	43,954
-	-	61,987	8,961	6,694,465
-	-	-	15,939	35,656
-	-	58,221	6,387	64,608
21,108,850	553,056	-	-	21,676,473
-	-	903	-	28,113,982
4,178,611	-	-	-	4,178,611
-	-	-	-	594,861
-	170,000	2,375,854	-	2,554,787
54,745	2,628,965	9,708,054	25,705	12,556,203
-	-	-	41,025	41,025
-	-	-	110,000	110,000
<u>32,878,869</u>	<u>3,650,627</u>	<u>12,375,016</u>	<u>1,047,052</u>	<u>86,498,287</u>
-	66,556	-	-	66,556
9,764	36,687	113,442	17,025	307,123
32,646	-	-	-	43,954
-	-	-	-	7,012,292
-	-	-	-	27,714,989
2,931,668	35,278	-	1,855	2,969,893
-	-	-	41,025	41,025
91,000	-	-	-	91,000
-	16,095	34,688	22,740	73,523
7,794,092	-	-	-	7,794,092
4,178,611	-	-	-	4,178,611
-	18,514	-	-	18,514
2,898,212	455,900	41,296	-	3,480,811
-	-	-	7,962	7,962
7,363,368	-	-	-	7,363,368
4,257,111	3,481,900	291,446	-	8,030,457
<u>29,556,472</u>	<u>4,110,930</u>	<u>480,872</u>	<u>90,607</u>	<u>69,194,170</u>
54,745	(1,138,835)	11,685,895	25,705	10,775,177
-	-	-	922,763	1,175,741
3,267,652	678,532	208,249	7,977	5,353,199
<u>\$ 3,322,397</u>	<u>\$ (460,303)</u>	<u>\$ 11,894,144</u>	<u>\$ 956,445</u>	<u>\$ 17,304,117</u>

COUNTY OF MONROE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2014

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS				
Industrial and economic development				
Monroe County Industrial Development Authority	\$ 12,946,798	\$ 375,145	\$ 12,962,925	\$ -
Pocono Mountains Industrial Park Authority	576,513	410,629	95,500	62,033
Pocono Mountains Industries, Inc.	639,745	108,921	184,500	22,472
Waste management				
Monroe County Municipal Waste Management Authority	1,884,498	1,748,853	-	-
Airport operation				
Pocono Mountains Municipal Airport Authority	1,031,215	308,163	45,000	137,409
Public works				
Redevelopment Authority of Monroe County	2,172,261	267,802	1,976,801	-
TOTAL COMPONENT UNITS	\$ 19,251,030	\$ 3,219,513	\$ 15,264,726	\$ 221,914
GENERAL REVENUES				
Interest, investment earnings and royalties				
Miscellaneous				
Gain on sale of assets				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, as restated (Note W)				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position						
Monroe County Industrial Development Authority	Pocono Mountains Industrial Park Authority	Pocono Mountains Industries, Inc.	Monroe County Municipal Waste Management Authority	Pocono Mountains Municipal Airport Authority	Redevelopment Authority of Monroe County	Totals
\$ 391,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 391,272
-	(8,351)	-	-	-	-	(8,351)
-	-	(323,852)	-	-	-	(323,852)
-	-	-	(135,645)	-	-	(135,645)
-	-	-	-	(540,643)	-	(540,643)
-	-	-	-	-	72,342	72,342
391,272	(8,351)	(323,852)	(135,645)	(540,643)	72,342	(544,877)
67	269	31	7,971	61	221	8,620
104	656	-	-	21,429	19,829	42,018
-	-	-	16,330	47,290	-	63,620
171	925	31	24,301	68,780	20,050	114,258
391,443	(7,426)	(323,821)	(111,344)	(471,863)	92,392	(430,619)
829,803	377,614	3,646,218	(348,959)	12,366,007	864,053	17,734,736
\$ 1,221,246	\$ 370,188	\$ 3,322,397	\$ (460,303)	\$ 11,894,144	\$ 956,445	\$ 17,304,117

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The County of Monroe (the "County") was formed in 1836 and operates under the direction of an elected Board of Commissioners. The County provides general administrative services, tax assessment and collection, judicial, public improvements, public safety and human services.

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

The more significant of the County's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, the financial statements present the County of Monroe (the primary government) and its component units. The component units (discussed below) are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Consistent with guidance contained in GASB Statement No. 61, the criteria used by the County to evaluate the possible inclusion of related entities (authorities, boards, councils, and similar entities) within its reporting entity, are: legally separate, financial accountability, misleading to exclude and the nature and significance of other considerations.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units for which the County is financially accountable or for which there is a significant relationship. The component units discussed below are included in the County's reporting entity because of the significance of their financial and operational relationships with the County. All component units have December 31, 2014 year-ends.

Blended Component Units - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the following entities have been included in the financial reporting entity of the County of Monroe as blended component units in the Enterprise Funds:

- **Pleasant Valley Manor, Inc. (the "Manor")** - The Manor is a nonprofit Pennsylvania corporation, without shareholders, that operates a 174-bed nursing home for individuals, primarily residents of Monroe County who qualify for public assistance under the Medical Assistance Program.

Monroe County, the Manor and the Pennsylvania Department of Public Welfare, by agreement dated December 12, 1984, settled various administrative appeals and court actions. Part of the settlement included recognizing Pleasant Valley Manor, Inc. as a county home retroactive to July 1, 1981. The County effectively controls the Manor as the three standing Commissioners form a majority of the five-member board of trustees.

- **Monroe County Conservation District (the "District")** - The Monroe County Conservation District was organized on September 2, 1947, for the purpose of conserving the soil and water resources of Monroe County through the cooperative efforts of the citizens of Monroe County. Since May 1995, the Internal Revenue Service has recognized the Monroe County Conservation District as a 501(c)(3) tax-exempt organization. As such, it is required to file an annual Form 990, *Return of Organization Exempt from Income Tax*.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

All members of the governing board of the Monroe County Conservation District are appointed by the Board of County Commissioners. The Board of County Commissioners pays the salaries of the Monroe County Conservation District's staff and their benefits directly. The Board of County Commissioners has issued general obligation debt for the purpose of renovating the Monroe County Conservation District's office building.

Complete and more detailed financial statements for the individual blended component units can be obtained from their administrative offices as follows:

Pleasant Valley Manor, Inc.
4227 Manor Drive
Stroudsburg, PA 18360

Monroe County Conservation District
8050 Running Valley Road
Stroudsburg, PA 18360

Discretely Presented Component Units - Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way include the following:

- **Monroe County Industrial Development Authority** - The 11 members of the governing board of the Monroe County Industrial Development Authority are appointed by the Board of County Commissioners. The County provides financial support through appropriations.
- **Pocono Mountains Industrial Park Authority** - The 11 members of the governing board of the Pocono Mountains Industrial Park Authority are appointed by the Board of County Commissioners. The County provides financial support through appropriations.
- **Pocono Mountains Industries, Inc.** - The 11 members of the governing board of Pocono Mountains Industries, Inc. are appointed by the Board of County Commissioners. The County provides financial support through appropriations.
- **Monroe County Municipal Waste Management Authority** - The ten members of the governing board of the Monroe County Municipal Waste Management Authority are appointed by the Board of County Commissioners. The County guarantees the general obligation debt of the Monroe County Municipal Waste Management Authority.
- **Pocono Mountains Municipal Airport Authority** - The nine members of the governing board of the Pocono Mountains Municipal Airport Authority are appointed by the Board of County Commissioners. The County retains the right to approve any future plans and has the sole right to amend the bylaws of the Pocono Mountains Municipal Airport Authority.
- **Redevelopment Authority of Monroe County** - The five members of the governing board of the Monroe County Redevelopment Authority are appointed by the Board of County Commissioners. The County provides financial support through grant funding. The County also guarantees the general obligation debt of the Monroe County Redevelopment Authority.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete and more detailed financial statements for the individual component units can be obtained from their administrative offices as follows:

Monroe County Industrial Development Authority
566 Main Street
Stroudsburg, PA 18360

Pocono Mountains Industrial Park Authority
566 Main Street
Stroudsburg, PA 18360

Pocono Mountains Industries, Inc.
566 Main Street
Stroudsburg, PA 18360

Monroe County Municipal Waste Management Authority
912 Main Street, Suite 203
Stroudsburg, PA 18360

Pocono Mountains Municipal Airport Authority
Route 611
Mt. Pocono, PA 18344

Redevelopment Authority of Monroe County
37 South Courtland
East Stroudsburg, PA 18301

Related Organizations - The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations include:

- Monroe County Hospital Authority
- Monroe County Housing Authority
- Monroe County Railroad Authority
- Monroe County Transportation Authority

Joint Venture - The County has entered into various agreements for the provision of services to the member counties. The County's joint ventures are as follows:

- **Carbon/Monroe/Pike Mental Health/Mental Retardation (MH/MR)** - Monroe County has entered into an agreement with Carbon and Pike Counties for the provision of Mental Health/Mental Retardation services. The governing board consists of the nine County Commissioners involved in the agreement. This board, on an annual basis, sets the amount of the contribution required from each participating county. In 2014, Monroe County contributed \$192,707 to the operations of this joint venture.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Condensed financial information for this joint venture as of and for the year ended June 30, 2014, is as follows:

Assets	\$ 3,206,569
Liabilities	3,006,776
Net assets	<u>199,793</u>
Revenues	\$ 14,790,142
Expenditures	15,919,277
Transfers	1,071,853
Net decrease in net position	<u>(57,282)</u>

Complete and more detailed financial information is available by contacting Carbon/Monroe/Pike Mental Health/Mental Retardation, Sarah Street, Stroudsburg, PA 18360.

- **Carbon Monroe Pike Drug & Alcohol Commission, Inc.** - Monroe County has entered an agreement with Carbon and Pike Counties for the provision of drug and alcohol services. The governing board consists of the nine County Commissioners involved in the agreement. This board, on an annual basis, sets the amount of the contribution required from each participating county. In 2014, Monroe County contributed \$31,876 to the operations of this joint venture.

Condensed financial information for this joint venture as of and for the year ended June 30, 2014, is as follows:

Assets	\$ 263,822
Liabilities	116,744
Net assets	<u>147,078</u>
Revenues	\$ 2,706,422
Expenditures	2,793,826
Net decrease in net position	<u>(87,404)</u>

Complete and more detailed financial information is available by contacting Carbon Monroe Pike Drug & Alcohol Commission, Inc., Sixth Street, Stroudsburg, PA 18360.

Measurement Focus, Basis of Accounting

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Funds and Agency Fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchanges and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Property taxes are recognized in revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among progress revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as expenditures.

For the most part, the effect of interfund activity has been eliminated from these statements. Activities between component units and the primary government are generally reported as external transactions. The balances of the Internal Service Fund are reported as governmental activities on the statement of net position.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

Fund Financial Statements - In the fund financial statements, financial transactions and accounts of the County are organized and operated on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund financial statements for the primary government's Governmental, Proprietary and Fiduciary Funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for Governmental and Enterprise Funds.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year-end to be deemed available. Expenditures generally are recorded when a liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Licenses, operating and capital grants and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

The County reports unavailable revenues on its Governmental Funds balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental Funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for Governmental Funds exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Funds expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is made.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds - The County's Enterprise Funds and Internal Service Fund are Proprietary Funds. In the fund financial statements, Proprietary Funds are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In the fund financial statements, Proprietary Funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the fund's activity are included on the fund's statement of net position. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities rather than an expense.

Fiduciary Funds - The County's Fiduciary Funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Fiduciary Fund statements include financial information for the Employee Retirement Trust Fund and Agency Funds. The Agency Funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34. The nonmajor funds are combined in a column in the fund financial statements. The following are the County's major funds:

Governmental Funds

- **General Fund** - The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general county government, boards, commissioners, the court system and health and welfare services.
- **Children and Youth Fund** - The Children and Youth Fund is used to account for specific revenue sources related to the provisions of children and youth services that are restricted to expenditures for those specified parties.
- **Capital Projects Fund** - The Capital Projects Fund accounts for the financial resources used for the acquisition and capital construction of major capital facilities other than those financed by the Proprietary Funds.
- **Open Space Fund** - The Open Space Fund is used to account for financial resources to be used for the acquisition of open space.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

- **Pleasant Valley Manor, Inc.** - Pleasant Valley Manor, Inc. accounts for the fiscal activities of the nursing home that are financed and operated in a manner similar to private business enterprises, where the intent of the governing board is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Other Funds

- **Internal Service Fund** - The Internal Service Fund is maintained to account for and finance services and commodities furnished exclusively for the user offices, departments and other agencies and funds of the County on a cost reimbursement basis.
- **Employee Retirement Trust Fund** - The Employee Retirement Trust Fund accounts for the revenue (i.e., member contributions, County contributions and net investment income) and the expenses (i.e., contributions refunded, retirement allowance and death benefits paid) of the Employee Retirement Trust Fund.
- **Agency Funds** - Agency Funds consist of restricted revenues of the various row offices of the County. The row office funds, in essence, are escrow funds maintained by the row offices for bails posted, funds held for sheriff's sales, realty transfer taxes held and owed to other governmental entities and other funds reserved for disposition of legal action.

Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less that do not have significant withdrawal restrictions to be cash equivalents.

Investments

Investments for the County are reported at fair value. Investments that do not have an established market value are reported at estimated fair values.

Interfund Receivable and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, which are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are recorded as expenditures of the Governmental Funds in the fund financial statements, assets of the Proprietary Funds in the fund financial statements and assets in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	10-40
Machinery and equipment	5-40
Infrastructure	40

Compensated Absences

County policy permits employees to accumulate a limited amount of earned but unused vacation. Sick pay does not vest and, therefore, no accrual is recorded in the financial statements. These benefits are payable to employees upon separation of services. All vacation pay is accrued when incurred in the government-wide and Proprietary Funds financial statements. The amount of vacation pay expected to be paid in the next fiscal year is recorded in the Governmental Funds financial statements since these future payments will require current financial resources.

Long-Term Obligations

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond discounts and bond issuance costs are reported as other assets and bond premiums are reported as long-term liabilities.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. Accordingly, the item, deferred charges on refunding, is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item, deferred outflows related to pensions, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet.

The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position/Fund Balance and GASB Statement No. 54

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets*** - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- ***Restricted Net Position*** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** - This category represents net position of the County not restricted for any project or other purpose.

Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of Commissioners.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority.
- **Unassigned** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 21). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Commissioners. The County does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the period. Actual amounts may differ from those estimates.

Component Units - Summary of Significant Accounting Policies

Related Entities - Monroe County Industrial Development Authority, Pocono Mountains Industrial Park Authority and Pocono Mountains Industries, Inc. are related entities. All three entities are served by the same executive director and members of the governing board. The three entities work together to serve new and existing businesses in Monroe County and therefore incur similar expenses. Management's policy is to charge expenses directly to each entity whenever possible; however, certain expenses relate to more than one entity, and, accordingly, those expenses are allocated between the entities.

Pleasant Valley Manor, Inc. (the "Manor")

Accounts Receivable - Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based on management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts.

Inventories - Inventories are valued at the lower of cost or market on the first-in, first-out (FIFO) basis. Historical costs have been estimated for a number of relatively minor items whose prices were not readily determinable from current invoices.

Property, Plant and Equipment - The Manor follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Depreciation is provided over the estimated useful lives of the assets on the straight-line basis as follows:

	<u>Years</u>
Land improvements	5-20
Buildings	5-40
Equipment	
Fixed	3-25
Movable	3-20
Transportation	4-5

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted contributions depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted revenues.

Income Taxes - The Manor received a letter from the Internal Revenue Service on January 17, 1975, recognizing it as exempt from federal income tax. Accordingly, no provision for income taxes has been included in these financial statements.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Board Codification No. 740-10-05, *Income Taxes* (FASC 740-10-05). FASC 740-10-05 clarifies the accounting of uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Manor has reviewed the impact of FASC 740-10-05 on the financial statements and has determined there is no material uncertain tax positions or unrecognized tax benefits and there is no material impact on the statements of net position, revenues, expenditures and changes in fund net position, or cash flows.

IRS Form 990 for the years ended December 31, 2013, 2012 and 2011, remains open for an examination by the IRS.

Resident Funds - The Manor serves as custodian of the residents' personal finances. The monies are kept on deposit in an interest bearing account and disbursed to or for the residents as they may require and as the M.A. regulations allow.

Patient Revenue - The Manor has agreements with third-party payors that provide for payments to the Manor at amounts different from its established rates. A significant portion of the Manor's resident service revenues is derived from these third-party payor programs. A summary of the payment arrangements with major payors follows:

- Medical Assistance - Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. For the year ended December 31, 2014, approximately 61% of net revenues from operations was earned from services provided to Medical Assistance program beneficiaries.
- Medicare - Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors. The reimbursement methodology is subject to various limitations and adjustments.

The Manor is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Manor's clinical assessment of its residents. The Manor is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare Program.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monroe County Conservation District (the "District")

Inventory - Inventory is valued at the lower of cost or market, with cost determined on the first-in, first-out method.

Operating and Nonoperating Items - The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees charged for membership, educational programs, environmental fees and permit charges and sales of bookstore items. Operating expenses include program costs, administrative expenses and depreciation on capital assets. Nonoperating revenues include interest income, capital grants and subsidies. There are no nonoperating expenses.

Capital Assets - The District provides for depreciation using the straight-line method. The land and the collection, comprised of stuffed animal mounts, are not depreciated in accordance with accounting standards. Rates used to compute depreciation are based on the following estimated useful lives:

	<u>Years</u>
Building	39
Equipment	5-10
Furniture	7-10
Vehicles	5

Monroe County Industrial Development Authority (MCIDA)

Allowance for Uncollectible Accounts - MCIDA uses the direct write-off method, which is not significantly different from the allowance method.

Capital Assets - Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. MCIDA provides for depreciation using the declining balance method. Rates used to compute depreciation are based on the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	7
Computer equipment	5
Marketing equipment	5

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

Operating and Nonoperating Items - MCIDA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with MCIDA's principal ongoing operations. The principal operating revenues of MCIDA are fees, grants and Tax Increment Project funding. MCIDA's principal operating expenses include compensation and fringe benefits, Tax Increment Project costs, marketing and grant costs.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pocono Mountains Industrial Park Authority (PMIPA)

Capital Assets - Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. PMIPA provides for depreciation using the straight-line and declining-balance methods. Rates used to compute depreciation are based on the following methods and estimated useful lives:

<u>Classification</u>	<u>Method</u>	<u>Years</u>
Equipment	Declining-balance	5-7
Sewer Plant	Straight-line	25

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

Concentration of Credit Risk - PMIPA generates revenue by assessing user fees upon its customers, all of which are located in either Pocono Mountains Corporate Center South or Pocono Mountains Corporate Center East.

Allowance for Uncollectible Accounts - PMIPA uses the allowance for uncollectible accounts method to record uncollectible accounts receivable based on management's collection experience.

Operating and Nonoperating Items - PMIPA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with PMIPA's principal ongoing operations. The principal operating revenues of PMIPA are sewer user charges, reimbursements from affiliates and EBU fees. The principal operating expenses are comprised of administrative and park operations and include compensation and fringe benefits, sewer and maintenance and repairs of the sewer park.

Pocono Mountains Industries, Inc. (PMI)

Income Taxes - The Internal Revenue Service has approved PMI as a tax-exempt organization under Internal Revenue Code Section 501(c)(6). As such, PMI is exempt from income tax and must file a Form 990 annually.

Capital Assets - Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. Depreciation of capital assets is provided by charges to expenses in amounts estimated to recover their cost over their estimated useful lives. Rates used to compute depreciation are based on the following methods and estimated useful lives:

<u>Classification</u>	<u>Method</u>	<u>Years</u>
Computer equipment	Straight-line	5
Building	Straight-line	39
Furniture	Declining-balance	5-7

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Items - PMI distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with PMI's principal ongoing operations. The principal operating revenues of PMI are land sales and grant income. The principal operating expenses are comprised of costs directly related to land sales, compensation and fringe benefits and grant expenses.

Monroe County Municipal Waste Management Authority (MWMA)

Operating and Nonoperating Items - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues for MWMA are administrative fees, sale of materials and operating grants. Operating expenses for MWMA include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - The Pennsylvania Municipal Authorities Act requires all monies of MWMA, from whatever source derived, be paid to the treasurer of MWMA, who currently uses accounts for daily operating activities. For purposes of the statement of cash flows, MWMA considers all highly liquid debt instruments with a maturity date of three months or less to be cash equivalents.

Accounts Receivable - MWMA carries its accounts receivable at cost. No allowance for doubtful accounts has been established because all accounts receivable as of December 31, 2014, are expected to be collected in 2015.

Property and Equipment - Property and equipment are stated at cost. The costs of additions and improvements are capitalized and expenditures for repairs and maintenance are expensed when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Building	40
Office furniture and equipment	5-7
Equipment	5-10
Vehicles and trailers	7-10
Land improvements	15

Pocono Mountains Municipal Airport Authority (PMMA)

Inventory - Inventory consists of fuel oil, gasoline and other petroleum products held for sale. Inventory is stated at cost using the first-in/first-out method.

Allowance for Uncollectible Accounts - PMMA grants credit to its customers. It is PMMA's policy to examine its receivable listing at the end of each year. A determination is then made as to the collectibility of outstanding receivables on a case-by-case basis. If applicable, PMMA specifically identifies certain receivables as uncollectible.

Capital Assets - All capital assets purchased by PMMA are shown at historical cost. Capital assets contributed to PMMA are shown at estimated fair market value, as determined by management, at the date of contribution. Management's estimate of the value of buildings and equipment is based on an insurance appraisal performed during 2000; the value of land is based on the price per acre of adjoining comparable land sold during 2000 and 2001.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The value of the runway is based on the cumulative amount of grants received from governmental sources used for runway improvements, which would have to be repaid in the event that PMMA did not operate the airport. Depreciation is calculated using the straight-line method over the useful life of the assets as follows:

	<u>Years</u>
Runway improvements	25
Equipment	5-10
Buildings and improvements	40

Expenditures that significantly extend the life of an asset are capitalized. All other repair and maintenance expenditures are charged to expense as incurred. Interest is capitalized on construction projects until the projects are substantially complete.

Operating Revenues and Expenses - Operating revenues and expenses are those that result from providing services and producing and delivering goods and services. The classification also includes revenue and expenses not relating to capital and related financing, noncapital financing, or investing activities.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is PMMA's policy to use restricted funds first, then unrestricted resources as they are needed.

Redevelopment Authority of Monroe County (MCRDA)

Capital Assets - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

	<u>Years</u>
Machinery and equipment	3-5
Vehicles and transportation equipment	5

Compensated Absences - MCRDA's policy for accrual of compensated absences is to allow full-time employees to accrue up to 697 hours of sick leave and accrue vacation leave based on their tenure at MCRDA. The value of compensated absences at the end of the year is calculated by multiplying the number of accumulated hours by each employee's pay rate as of the end of the year.

NOTE B - DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of Governmental and Proprietary Funds resources into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania governmental obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. Fiduciary Funds investments also may be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice. The deposit and investment policy of the County adheres to state statutes and prudent business practice.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Primary Government

Deposits and investments of the Governmental and Proprietary Funds of the primary government are maintained in demand deposits or savings accounts, certificates of deposit and repurchase agreements.

As of December 31, 2014, the County had the following investments and maturities in its Employee Retirement Trust Fund accounts:

	<u>Fair Value</u>
Equity mutual funds	\$ 53,260,316
Fixed income mutual funds	<u>24,189,730</u>
	<u>\$ 77,450,046</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has adopted a policy of holding all investments to maturity. Accordingly, any change in fair value due to changing market interest rates is temporary.

The County's Employee Retirement Trust Fund Investment Policy (Retirement Investment Policy) states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. The policy states specific allocations to individual investments ranging from 4% to 16% of total investments.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County has clearly defined restrictions by institution, asset class and minimum credit rating to minimize the risk of loss due to credit risk. The County's investment policy limits operating and self-insurance investments to federal agency securities that carry direct or implied guarantees of the U.S. Government.

The County's Retirement Investment Policy limits fixed income securities to a minimum of "Bbb" or better at the time of purchase. Investments with less than "A" ratings can be purchased up to a maximum of 15% of total market value for fixed income securities.

As of December 31, 2014, the County's retirement investments consist entirely of equity mutual funds and fixed income mutual funds.

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County has a formal deposit agreement with each "Bank" for custodial credit risk. As of December 31, 2014, the Federal Depository Insurance Corporation (FDIC) insured \$2,490,072 of the County's \$49,699,400 bank balances of the primary government. The remaining bank balances of \$47,209,328 were exposed to custodial credit risk but were collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name.

Concentration of Credit Risk - The County's Retirement Investment Policy limits individual holdings, other than U.S. Treasury or other investments in federal agencies, to no more than 5% of the total market value of the corresponding investment type in the portfolio. In addition, not more than 25% of common stock investments may be held in any one industry category. At December 31, 2014, the County had no individual investments representing more than 5% of the total investments in this fund.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Component Units

Monroe County Conservation District (the "District")

Deposits and Investments - The District can invest its funds as authorized for local government units by the Local Government Unit Debt Act as provided by Monroe County and applicable grant agreements.

Authorized types of investments include:

1. U.S. Treasury bills.
2. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
3. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository.
4. Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above.

Custodial Credit Risk to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon Act 72 of 1971. The Act requires that financial institutions pool collateral for all governmental deposits in addition to having collateral held by an approved custodian in the institution's name.

At December 31, 2014, the District had \$146,105 of deposits in excess of insurance coverage.

Monroe County Industrial Development Authority (MCIDA)

Deposits and Investments - MCIDA can invest its general funds as follows:

1. U.S. Treasury bills.
2. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
3. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance.
4. Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, MCIDA's deposits may not be recovered. MCIDA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. MCIDA's deposits are as follows:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in MCIDA's name	\$ 27,913,729
Amounts insured under FDIC	750,000
Outstanding checks	<u>(4,394)</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u><u>\$ 28,659,335</u></u>

Interest Rate Risk - MCIDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - MCIDA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Pocono Mountains Industrial Park Authority (PMIPA)

Deposits and Investments - PMIPA can invest its general funds as provided by the Municipal Authorities Act. Authorized types of accounts include:

1. U.S. Treasury bills.
2. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
3. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository.
4. Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above.

Custodial Credit Risk to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, PMIPA's deposits may not be recovered. PMIPA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2014, PMIPA had no deposits in excess of FDIC insurance.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - PMIPA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - PMIPA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Pocono Mountains Industries, Inc. (PMI)

Deposits and Investments - PMI can invest its general funds as follows:

1. U.S. Treasury bills.
2. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
3. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository.
4. Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above.

Custodial Credit Risk to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, PMI's deposits may not be recovered. PMI's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2014, PMI had no deposits in excess of FDIC insurance.

Interest Rate Risk - PMI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - PMI is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Monroe County Municipal Waste Management Authority (MWMA)

Deposits and Investments - All deposits are carried at cost. MWMA does not have a deposit policy. At times, cash balances may be in excess of FDIC insurance limits.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - MWMA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Pocono Mountains Municipal Airport Authority (PMMA)

Cash and Cash Equivalents - PMMA can invest funds as authorized for local government units by the Local Government Unit Debt Act and can invest its general funds as provided by the Municipal Authorities Act.

Authorized types of investments include:

1. U.S. Treasury bills.
2. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity.
3. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance.
4. Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above.

External Investment Pool - PMMA's investments with Pennsylvania Local Government Investment Trust (PLGIT) are not categorized. PLGIT was established solely for the benefit of local governments, school districts and other public entities in Pennsylvania. All investments made by PLGIT are either obligations of the United States Government or its agencies or instrumentalities or deposits insured by FDIC.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, PMMA's deposits may not be recovered. PMMA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At year-end, no deposits were in excess of FDIC insurance limits.

Interest Rate Risk - PMMA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - PMMA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Concentration of Credit Risk - PMMA's investments are mainly invested in external investment pools, which are excluded from the concentration of credit risk reporting requirement.

Foreign Currency Risk - PMMA was not exposed to foreign currency risk for the 2014 fiscal year.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Redevelopment Authority of Monroe County (MCRDA)

Deposits - MCRDA's depositories are required to secure deposits of all public bodies with a pledge of collateral in accordance with Pennsylvania Pledge Act 72, and, therefore, MCRDA does not have any uncollateralized deposits as of December 31, 2014.

NOTE C - REAL ESTATE TAXES

Real estate taxes for the calendar year are levied on March 1 of each year. Any unpaid real estate taxes attach as an enforceable lien on property as of January 1 of the following year. Taxes are levied on March 1 and payable with a 2% discount to April 30, with no discount or penalty to June 30 and with a 10% penalty from July 1 to December 31. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. The rate of taxation for 2014 was 21.25 mills for general and debt service purposes.

The County is permitted by the County Code of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on bonded or funded debt. The County's 2014 real estate taxes are based on assessed values established by the County's Bureau of Assessment.

NOTE D - PENSION PLAN

Summary of Significant Accounting Policies

Method Used to Value Investments - Pension Trust Fund investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

Plan Description

Plan Administration - The Employee Retirement Board administers the Monroe County Employee Retirement Trust Fund Plan - a single-employer defined benefit pension plan that covers substantially all employees of the County. The Plan is regulated according to the County Pension Law Act 96 of 1971, as amended. The board consists of 5 members consisting of the three County elected commissioners, the elected County Controller and the County elected Treasurer.

Plan Membership - At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	229
Inactive plan members entitled to but not yet receiving benefits	62
Active plan members	<u>612</u>
	<u>903</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - PENSION PLAN (Continued)

Benefits Provided - Monroe County Employee Retirement Trust Fund Plan provides retirement, disability and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest three-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after five years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of highest average salary at time of retirement. Death benefits for a member who dies with ten years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than five years of service may withdraw his or her contributions, plus any accumulated interest.

Contributions - An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2014 measurement period, the active member contribution rate was 5% of annual pay, and the County average contribution rate was 11.29% of annual payroll.

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	47%
International equity	19%
Fixed income	34%
Real estate	0%
Cash	0%
	<u>100%</u>

Concentrations - The County's Retirement Investment Policy limits individual holdings, other than U.S. Treasury or other investments in federal agencies, to no more than 5% of the total market value of the corresponding investment type in the portfolio. In addition, not more than 25% of common stock investments may be held in any one industry category. At December 31, 2014, the County had no individual investments representing more than 5% of the total investments in this fund.

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - PENSION PLAN (Continued)

Net Pension Liability of the County

The components of the net pension liability of the County at December 31, 2014, were as follows:

Total pension liability	\$ 81,015,560
Plan fiduciary net position	<u>77,477,713</u>
NET PENSION LIABILITY	\$ <u>3,537,847</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>95.63%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement.

The actuarial assumptions used in the December 31, 2014 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 (see the pension plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4 - 6.4%
International equity	5.5 - 6.5%
Fixed income	1.3 - 3.3%
Real estate	4.5 - 5.5%
Cash	0.0 - 1.0%

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ <u>9,930,557</u>	\$ <u>3,537,847</u>	\$ <u>(4,485,439)</u>

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2014, the County reported a liability of \$81,015,560 for the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2014, the County recognized pension expense of \$289,319. At December 31, 2014, the County reported deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 161,332
Net difference between projected and actual earnings on pension plan investments	<u>574,130</u>
	\$ <u>735,462</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - PENSION PLAN (Continued)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2015	\$ 166,580
2016	166,580
2017	166,580
2018	166,578
2019	<u>69,144</u>
	<u>\$ 735,462</u>

Changes in Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
BALANCES AS OF DECEMBER 31, 2013	\$ <u>77,221,774</u>	\$ <u>71,847,925</u>	\$ <u>5,373,849</u>
Changes for the year			
Service cost	1,199,680	-	1,199,680
Interest	5,758,308	-	5,758,308
Differences between expected and actual experience	184,379	-	184,379
Contributions			
Employer	-	2,837,641	(2,837,641)
Member	-	1,437,818	(1,437,818)
Net investment income	-	4,706,389	(4,706,389)
Benefit payments, including refunds of member contributions	(3,348,581)	(3,348,581)	-
Plan administrative expenses (excluding investment advisory fees)	-	(11,631)	11,631
Other changes	-	8,152	(8,152)
NET CHANGES	<u>3,793,786</u>	<u>5,629,788</u>	<u>(1,836,002)</u>
BALANCES AS OF DECEMBER 31, 2014	\$ <u>81,015,560</u>	\$ <u>77,477,713</u>	\$ <u>3,537,847</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT

A summary of changes in long-term debt of the governmental activities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds payable					
General obligation debt	\$ 57,311,716	\$ 19,215,000	\$ (24,102,835)	\$ 52,423,881	\$ 3,682,762
Deferred amounts					
Issuance discount	(201,452)	-	188,492	(12,960)	(3,067)
Issuance premium	1,201,496	1,832,402	(361,655)	2,672,243	314,495
TOTAL BONDS PAYABLE	58,311,760	21,047,402	(24,275,998)	55,083,164	3,994,190
Other liabilities					
Compensated absences	244,850	15,823	-	260,673	167,683
Net pension liability	5,373,849	-	(1,836,002)	3,537,847	-
Self-insurance claims payable	857,670	7,012,823	(7,361,522)	508,971	508,971
 TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	 \$ 64,788,129	 \$ 28,076,048	 \$ (33,473,522)	 \$ 59,390,655	 \$ 4,670,844

Pertinent information regarding bonds and notes payable is presented below:

Issue	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2014
2007B Note	\$ 260,000	Refunding of certain portions of the 2001B, 2001D and 2005A General Obligation Bond issues and payment of issuance costs; the bond matures in 2018 and incurs interest at 5.64%	\$ 220,000
2007A	\$ 120,000	Refunding of certain portions of the 2002 General Obligation Notes and payment of issuance costs; the bond matures in 2018 and incurs interest at 5.64%	120,000
2009	\$ 8,570,000	Refunding of the 1999, 2003 and 2007 Notes issued by Pocono Mountains Industries, Inc., a component unit of the County, and pay the costs of issuance; the bond matures in 2023 and incurs interest at 5.90%. The County has recorded a corresponding long-term receivable from Pocono Mountains Industries, Inc. for the amount of the bond issue	8,415,000
2009B	\$ 1,310,000	Provide funds for the County's annual retirement contribution and pay the costs of issuance; the bond matures in 2024 and incurs interest at 5.58%	1,290,000
SUBTOTAL FORWARD			\$ 10,045,000

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

Issue	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2014
SUBTOTAL FORWARDED			\$ 10,045,000
2011	\$ 7,035,000	Advance refunding of the 2006 General Obligation Bond series and pay the costs of issuance; the bond matures in 2018 and incurs interest at 1.00% to 4.00%	7,015,000
2012A	\$ 2,510,000	Refunding of the 2007A General Obligation Notes and pay the costs of issuance; the bond matures in 2019 and incurs interest at 1.75% to 3.00%	2,510,000
2012B	\$ 4,875,000	Advance refunding of the 2007B General Obligation Bond series and pay the costs of issuance; the bond matures in 2020 and incurs interest at 1.375% to 3.00%	4,860,000
2012C	\$ 585,000	Advance refunding of the 2007C General Obligation Bond series and pay the costs of issuance; the bond matures in 2020 and incurs interest at 2.00%	585,000
2012D	\$ 6,675,000	Advance refunding of a portion of the 2008 General Obligation Notes and pay the costs of issuance; the bond matures in 2022 and incurs interest at 1.375% to 5.000%	6,675,000
2012 Note	\$ 1,574,623	Refunding of the 2003A General Obligation Notes and pay the costs of issuance; the note matures in 2016 and incurs interest at 1.75%	1,518,881
2014	\$ 19,215,000	Refunding of the 2008 General Obligation Notes, refunding of the 2009A General Obligation Bonds, advance refunding of the 2009C General Obligation Bonds and pay the costs of issuance; the note matures in 2025 and incurs interest at 1.000% to 5.000%	19,215,000
			<u>\$ 52,423,881</u>

The County has pledged its full faith, credit and taxing power as security for the repayment of the above obligations.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

An analysis of the debt service requirements to maturity on bonds and notes payable as of December 31, 2014, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 3,682,762	\$ 1,965,696	\$ 5,648,458
2016	4,301,119	1,916,510	6,217,629
2017	4,495,000	1,799,482	6,294,482
2018	4,520,000	1,671,293	6,191,293
2019	4,735,000	1,507,456	6,242,456
2020 to 2024	27,155,000	4,602,007	31,757,007
2025	<u>3,535,000</u>	<u>176,750</u>	<u>3,711,750</u>
	<u>\$ 52,423,881</u>	<u>\$ 13,639,194</u>	<u>\$ 66,063,075</u>

In July 2014, the County issued General Obligation Bonds, Series of 2014, in the amount of \$19,215,000. The bonds were issued at a premium of \$1,832,402, which will be amortized over the life of the bonds for government-wide purposes. The bonds mature on September 15, 2025, and carry an annual interest rate of 1.000% to 5.000%. Proceeds from the bonds were used to currently refund the General Obligation Bonds, Series of 2008, currently refund the General Obligation Bonds, Series A of 2009, advance refund the General Obligation Bonds, Series C of 2009, and pay the costs of issuing the bonds. As a result of the advance refunding of the Series C of 2009 bonds, \$4,765,000 of refunded obligations is considered defeased, and the liability for those bonds has been removed from the County's financial statements. The County reduced its aggregate debt service payments to maturity by \$1,121,112 and obtained an economic gain (difference between present value of the debt service payments on old and new debt) of \$954,393.

In prior years, the County has defeased various General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2014, the principal amount outstanding relative to defeased debt of the Primary Government was \$23,825,000.

Component Units - Long-Term Debt

Pleasant Valley Manor, Inc. (the "Manor")

The Manor had a \$450,000 line of credit from M&T Bank for the purpose of working capital. Principal was payable on demand and interest was payable monthly at a variable interest rate of one-month LIBOR rate plus 3.25% with a floor of 4.00%. This line-of-credit was secured by a grant of security interest in, a lien on and pledge and assignment of certain collateral as described in the Security Agreement with M&T Bank. At December 31, 2014, there was no balance on the line of credit.

Pocono Mountains Industrial Park Authority (PMIPA) - During 2010, PMIPA began work on a project to construct improvements at Exits 298 and 299 of Interstate 80 in the County. As part of the project, certain local businesses and other organizations that will benefit from the improvements have agreed to contribute \$4,687,500 to the cost of design and construction. Under terms established in the Highway Improvements Cost Contribution Agreement of October 2010, PMIPA has agreed to act as a conduit for the project funding. In December 2010, PMIPA approved the issuance of its Guaranteed Limited Obligation Note, Series 2010, in the maximum amount of \$4,250,000.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

An analysis of the debt service requirements to maturity on bonds and notes payable as of December 31, 2014, is as follows:

The note carries an interest rate of 3.36%, payable on January 21, 2011, and on the 21st day of every month thereafter, up to and including December 21, 2015, which is the maturity date of the note. As of that date all unpaid principal, accrued interest and any other applicable fees are due and payable to the bank. As of December 31, 2014, a total of \$85,403 has been drawn down on the note. The proceeds were used to pay debt issuance costs, interest on the note, and preconstruction costs relating to the project.

Financial statement line items relating to the project include the following:

- Project cash consists of cash remaining from a contribution received by PMIPA.
- Project accounts receivable and payable represent amounts due from PennDot to pay for planning costs incurred and the related amounts due to the engineering firm.
- The note payable is as discussed above.
- Project revenues and expenses include PennDot's contribution towards the overall cost of the project.

	Balance January 1, 2014	Additions	Repayments	Balance December 31, 2014	Due Within One Year
Note payable, Penn Security Bank	\$ <u>75,580</u>	\$ <u>9,823</u>	\$ <u>-</u>	\$ <u>85,403</u>	\$ <u>85,403</u>

Principal of \$85,403 and interest of \$2,870 is due in the year ended December 31, 2015.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

Pocono Mountains Industries, Inc. (PMI) - The following is a summary of the long-term debt activity for the year ended December 31, 2014:

	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
Mortgage payable, PP&L				
Electric Utilities Corporation	\$ 290,000	\$ -	\$ -	\$ 290,000
Loan payable, Monroe County	110,000	-	-	110,000
Note payable, Commonwealth				
Financing Authority	6,816,457	-	-	6,816,457
Note payable, Monroe County	7,363,368	-	-	7,363,368
	14,579,825	-	-	14,579,825
Unamortized financing costs	(69,068)	-	7,934	(61,134)
	<u>\$ 14,510,757</u>	<u>\$ -</u>	<u>\$ 7,934</u>	<u>\$ 14,518,691</u>

Pertinent information regarding bonds and notes payable is presented below:

Mortgage payable, PP&L Electric Utilities Corporation, dated February 2, 2002, 0.00% interest, minimum annual payment of \$125,000 began in 2005, sharing a first lien on the property with PIDA	\$ 290,000
Loan payable, County of Monroe, dated March 1, 2006, interest at 2.75%, unpaid principal balance and interest due earlier of February 28, 2012, or the sale of the former International Boiler Work's property located in East Stroudsburg, Pennsylvania; during 2012, the loan was extended two years to March 1, 2015	110,000
Note payable, Commonwealth Financing Authority (BIOS loan), dated May 17, 2007, interest at 3.00%, unpaid principal balance and interest due earlier of October 31, 2012, or the sale of land located in a 650 acre tract in Coolbaugh Township, Monroe County, Pennsylvania	6,816,457
Note payable, County of Monroe, dated April 1, 2009, interest at 5.80% to 5.90%, unpaid principal balance and interest due earlier of December 15, 2023, or the sale of land	<u>7,363,368</u>
	14,579,825
Amount shown as due to primary government	(7,363,368)
Unamortized financing costs	<u>(61,134)</u>
	<u>\$ 7,155,323</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

Estimated annual payments on long-term debt through final maturity of debt outstanding are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 2,898,212	\$ 642,705	\$ 3,540,917
2016	3,029,091	88,123	3,117,214
2017	1,289,154	9,685	1,298,839
2018	-	-	-
2019	-	-	-
2020 to 2023	<u>7,363,368</u>	<u>6,414,059</u>	<u>13,777,427</u>
	<u>\$ 14,579,825</u>	<u>\$ 7,154,572</u>	<u>\$ 21,734,397</u>

Monroe County Municipal Waste Management Authority (MWMA)

In April 2014, MWMA refinanced various debts with "Revenue Note Series of 2014" financed by Wayne Bank. Interest accruing on the outstanding principal balance hereof shall be payable semiannually, on June 1 and December 1 of each year commencing on June 1, 2014, at the fixed rate of 2.19%, per annum. The principal balance hereof shall be repaid in installments in the amounts and on the dates set forth in the below schedule. Interest on the outstanding and unpaid principal balance shall be calculated based on 12 months of 30 days each and a year of 360 days. The Note is collateralized by property and equipment, and MWMA has pledged its Intergrated Waste Management System Revenues to secure the loan.

	\$ 3,937,800
Current portion	<u>(455,900)</u>
	<u>\$ 3,481,900</u>

Maturities of long-term debt of MWMA are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Interest Rate</u>
2015	\$ 455,900	\$ 83,933	\$ 539,833	2.19%
2016	479,400	73,905	553,305	2.19%
2017	497,200	63,374	560,574	2.19%
2018	510,000	52,461	562,461	2.19%
2019	495,200	41,317	536,517	2.19%
Thereafter	<u>1,500,100</u>	<u>76,894</u>	<u>1,576,994</u>	2.19%
	<u>\$ 3,937,800</u>	<u>\$ 391,884</u>	<u>\$ 4,329,684</u>	

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - LONG-TERM DEBT (Continued)

Changes in long-term debt of MWMA are as follows:

	Balance January 1, 2014	Additions	Retirements	Balance at December 31, 2014	Due Within One Year
Bond, Series of 2004	\$ 3,245,760	\$ -	\$ (3,245,760)	\$ -	\$ -
Note, Revenue Obligation	773,159	-	(773,159)	-	-
Note, Revenue Obligation	490,580	-	(490,580)	-	-
Note, Series of 2014	-	3,937,800	-	3,937,800	455,900
	<u>\$ 4,509,499</u>	<u>\$ 3,937,800</u>	<u>\$ (4,509,499)</u>	<u>\$ 3,937,800</u>	<u>\$ 455,900</u>

MWMA has a line of credit with maximum borrowings available of \$250,000. The credit line matures December 31, 2015. Activity on the line of credit is as follows:

Balance January 1, 2014	Principal Payments	Principal Borrowings	Balance December 31, 2014
<u>\$ 38,221</u>	<u>\$ (3,600)</u>	<u>\$ 31,935</u>	<u>\$ 66,556</u>

Pocono Mountains Municipal Airport Authority (PMMA) - Notes payable consist of the following:

- Note payable, First Keystone Community Bank, construction loan for North Hangar; monthly payments including principal and interest at 2.65% and continue through April 26, 2025.
- Pennsylvania Infrastructure Note, in the amount of \$50,000 to fund various projects, interest at 4.00%, due in installments of \$6,165 plus interest. Matures in 2017.
- Note payable, First Keystone Community Bank \$140,000 for construction of sewer line to new hangar. Payable in monthly installments of \$1,901 for 84 months with interest at 3.75%. Matures in 2020.

A summary of notes payable activity is as follows:

	Balance at January 1, 2014	Increases	Repayments	Balance at December 31, 2014	Current Portion
Sewer Loan	\$ 134,148	\$ -	\$ (18,023)	\$ 116,125	\$ 18,783
PIB Loan	22,377	-	(5,270)	17,107	5,481
Hangar Loan	216,018	-	(16,508)	199,510	17,032
	<u>\$ 372,543</u>	<u>\$ -</u>	<u>\$ (39,801)</u>	<u>\$ 332,742</u>	<u>\$ 41,296</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - RISK MANAGEMENT

Effective January 1, 2013, the County elected to self-insure potential obligations applicable to workers' compensation, through the Pennsylvania Counties' Workers' Compensation Trust (PCOMP). The County has established a designated reserve account to ensure payments for ongoing future claims. The County pays all insurance claims for workers' compensation. The County also participates in the Pennsylvania Counties Risk Pool (PCORP) for automobile, general liabilities and error and omissions insurance. PCORP performs audits annually. The County may be required to pay additional premiums or may be entitled to refunds as a result of the audit. For the year ended December 31, 2014, the County paid insurance premiums of \$490,117 to PCORP.

In addition, effective September 1, 2000, the County elected to self-insure potential obligations applicable to medical benefits. The Internal Service Fund is used to account for the risk associated with the payment of these benefits. The costs of the benefits are allocated by the County to the various departments in order for the Internal Service Fund to be reimbursed. The County retains the first \$100,000 per year per individual for the medical claims. The County maintains excess commercial insurance for the liability in excess of \$100,000 per year per individual. There has been no significant reduction in insurance coverage from the prior year, and the amounts of settlements have not exceeded insurance coverage for each of the past three years.

The following summary provides aggregate information on medical self-insurance liabilities, incurred claims and payments made during the year ended December 31, 2014, and reported self-insurance liabilities at December 31, 2014:

<u>January 1, 2014 Liability</u>	<u>Insured Claims and Changes in Estimate</u>	<u>Payments</u>	<u>December 31, 2014 Liability</u>
\$ <u>857,670</u>	\$ <u>7,012,823</u>	\$ <u>(7,361,522)</u>	\$ <u>508,971</u>

Component Units - Risk Management

Pleasant Valley Manor, Inc. (the "Manor")

Workers' Compensation - The Manor is self-insured for workers' compensation. It has established an account with M&T Bank to which it makes contributions and from which it pays claims. The balance in this account at December 31, 2014, was \$4,702. A third-party administrator manages the plan and establishes estimated loss reserves, which the Manor records as a liability in the financial statements. The estimated losses related to workers' compensation claims originating prior to December 31, 2014, were \$487,508. The Manor is insured for claims exceeding \$550,000 per occurrence or \$1 million in the aggregate per year.

Medical Malpractice Claims Coverage - The Manor maintains occurrence-based professional liability coverage through a commercial insurance carrier. Management believes no incidents have occurred or will be asserted that will exceed the Manor's insurance coverage or have a material adverse effect on the financial statements. At December 31, 2014, professional liability coverage was provided for the Manor in the amount of \$500,000 per occurrence and \$1.5 million per annual aggregate.

Monroe County Conservation District (the "District") - The District maintains several insurance policies to protect against loss. There were no claims made during the year in excess of coverage. There have been no significant changes in coverage from the prior year to the current year.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - RISK MANAGEMENT (Continued)

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA) and Pocono Mountains Industries, Inc. (PMI) - MCIDA, PMIPA and PMI are exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which these entities carry commercial insurance. The entities have purchased various insurance policies to safeguard their assets from risk of loss. There have been no significant reductions in coverage from the prior year, and losses have not exceeded coverage during the fiscal year ended December 31, 2014, or either of the two prior years.

Pocono Mountains Municipal Airport Authority (PMMA) - PMMA pays insurance premiums to cover risks that may occur in normal operations. These risks include but are not limited to claims of employees for unemployment compensation benefits and workers' compensation benefits, losses relating to possible damage to buildings and contents, equipment and vehicles, and general tort claims and employee fidelity bond coverage and health and group life insurance. There have been no significant reductions in insurance coverage from the prior year. For the past three years, settlements of claims have not exceeded insurance coverage.

Monroe County Municipal Waste Management Authority (MWMA) - MWMA carries commercial property insurance on property and equipment in the aggregate sum of \$2,987,406. MWMA carries commercial liability insurance coverage in the amount of approximately \$2,000,000. MWMA also carries premium-based medical, dental and vision coverage for all employees.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances of each individual fund and nonmajor funds in the aggregate as of December 31, 2014, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 5,286,240	\$ 3,320,756
Children and Youth Fund	1,170,073	1,099,850
Capital Projects Fund	-	26,189
Open Space Fund	-	383,762
Other Governmental Funds	3,105,529	5,142,298
TOTAL GOVERNMENTAL FUNDS	<u>9,561,842</u>	<u>9,972,855</u>
PROPRIETARY FUNDS		
Other Enterprise Funds	432,906	-
Internal Service Fund	1,688,523	1,698,781
TOTAL PROPRIETARY FUNDS	<u>2,121,429</u>	<u>1,698,781</u>
FIDUCIARY FUND		
Employee Retirement Trust Fund	-	11,635
	<u>\$ 11,683,271</u>	<u>\$ 11,683,271</u>

Interfund balances are the result of operating transfers between funds and are expected to be repaid using current financial resources.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE H - TRANSFERS

Interfund operating transfers are executed as a result of the requirements of the General Fund to match a portion of the expenditures or expenses of other funds. Interfund operating transfers are as follows:

	Transfers In	Transfers Out
GOVERNMENTAL FUNDS		
General Fund	\$ 135,983	\$ 4,866,500
Children and Youth Fund	3,741,893	-
Open Space Fund	-	10,303
Other Governmental Funds	1,051,259	193,291
TOTAL GOVERNMENTAL FUNDS	<u>4,929,135</u>	<u>5,070,094</u>
PROPRIETARY FUNDS		
Pleasant Valley Manor, Inc.	63,439	-
Other Enterprise Funds	77,520	-
TOTAL PROPRIETARY FUNDS	<u>140,959</u>	<u>-</u>
	<u>\$ 5,070,094</u>	<u>\$ 5,070,094</u>

NOTE I - LITIGATION

The County is involved in various claims and legal actions arising in the ordinary course of its activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial statements.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,945,826	\$ -	\$ -	\$ 1,945,826
Agricultural easements	20,181,953	-	-	20,181,953
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	22,127,779	-	-	22,127,779
Capital assets being depreciated				
Buildings and improvements	36,270,786	149,076	(493,913)	35,925,949
Equipment and furniture	7,433,895	449,118	(2,587,485)	5,295,528
Infrastructure	3,533,425	119,712	(4,550)	3,648,587
TOTAL CAPITAL ASSETS BEING DEPRECIATED	47,238,106	717,906	(3,085,948)	44,870,064
Accumulated depreciation				
Buildings and improvements	(17,888,877)	(1,124,009)	493,913	(18,518,973)
Equipment and furniture	(5,656,762)	(757,079)	2,587,485	(3,826,356)
Infrastructure	(1,752,858)	(93,381)	4,550	(1,841,689)
TOTAL ACCUMULATED DEPRECIATION	(25,298,497)	(1,974,469)	3,085,948	(24,187,018)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	21,939,609	(1,256,563)	-	20,683,046
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 44,067,388	\$ (1,256,563)	\$ -	\$ 42,810,825
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Sewer improvements	\$ 936,148	\$ -	\$ -	\$ 936,148
Accumulated depreciation	(526,534)	(26,535)	-	(553,069)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 409,614	\$ (26,535)	\$ -	\$ 383,079

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES

General government	
Administrative	\$ 471,713
Judicial	564,398
Public safety	671,714
Public works	81,645
Human services	116,888
Culture and recreation	62,452
Conservation and development	5,659
	<u>\$ 1,974,469</u>

Component Units

Pleasant Valley Manor, Inc. (the "Manor") - The changes in capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 9,538	\$ -	\$ -	\$ 9,538
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>9,538</u>	<u>-</u>	<u>-</u>	<u>9,538</u>
CAPITAL ASSETS BEING DEPRECIATED				
Land improvements	452,745	-	-	452,745
Buildings and improvements	5,838,266	-	-	5,838,266
Equipment and furniture	6,400,191	125,977	-	6,526,168
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>12,691,202</u>	<u>125,977</u>	<u>-</u>	<u>12,817,179</u>
Accumulated depreciation				
Land improvements	(425,783)	(3,389)	-	(429,172)
Buildings and improvements	(4,863,443)	(145,769)	-	(5,009,212)
Equipment and furniture	(5,293,598)	(212,439)	-	(5,506,037)
TOTAL ACCUMULATED DEPRECIATION	<u>(10,582,824)</u>	<u>(361,597)</u>	<u>-</u>	<u>(10,944,421)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,108,378</u>	<u>(235,620)</u>	<u>-</u>	<u>1,872,758</u>
CAPITAL ASSETS, net	<u>\$ 2,117,916</u>	<u>\$ (235,620)</u>	<u>\$ -</u>	<u>\$ 1,882,296</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - CAPITAL ASSETS (Continued)

Monroe County Conservation District (the "District") - Capital assets include buildings, equipment, furniture and vehicles being depreciated on the straight-line basis over their estimated useful lives. Collections and land are also part of capital assets but are not depreciated. The changes in capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS NOT BEING DEPRECIATED				
Collection	\$ 3,725	\$ -	\$ -	\$ 3,725
Land	253,724	-	-	253,724
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	257,449	-	-	257,449
CAPITAL ASSETS BEING DEPRECIATED				
Building	509,111	-	-	509,111
Equipment	98,373	14,297	(6,647)	106,023
Furniture	23,777	1,765	-	25,542
Vehicles	136,613	20,569	(19,494)	137,688
TOTAL CAPITAL ASSETS BEING DEPRECIATED	767,874	36,631	(26,141)	778,364
Accumulated depreciation				
Building	(53,720)	(19,998)	-	(73,718)
Equipment	(76,473)	(7,984)	6,647	(77,810)
Furniture	(21,247)	(741)	-	(21,988)
Vehicles	(80,017)	(14,522)	19,494	(75,045)
TOTAL ACCUMULATED DEPRECIATION	(231,457)	(43,245)	26,141	(248,561)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	536,417	(6,614)	-	529,803
CAPITAL ASSETS, net	\$ 793,866	\$ (6,614)	\$ -	\$ 787,252

Monroe County Industrial Development Authority (MCIDA) - Capital assets consist primarily of equipment and furniture being depreciated on the straight-line basis over their estimated useful lives. The changes in capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS BEING DEPRECIATED				
Computer equipment	\$ 5,543	\$ -	\$ -	\$ 5,543
Furniture and fixtures	11,418	-	-	11,418
Marketing equipment	14,448	-	-	14,448
TOTAL CAPITAL ASSETS BEING DEPRECIATED	31,409	-	-	31,409
Accumulated depreciation				
Computer equipment	(3,317)	(754)	-	(4,071)
Furniture and fixtures	(11,433)	-	-	(11,433)
Marketing equipment	(14,448)	-	-	(14,448)
TOTAL ACCUMULATED DEPRECIATION	(29,198)	(754)	-	(29,952)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	2,211	(754)	-	1,457
CAPITAL ASSETS, net	\$ 2,211	\$ (754)	\$ -	\$ 1,457

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - CAPITAL ASSETS (Continued)

Pocono Mountains Industrial Park Authority (PMIPA) - Capital assets consist primarily of office equipment and the sewer plant and related equipment. The changes in the capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS NOT BEING DEPRECIATED				
Pre-treatment facility construction in progress	\$ 7,820	\$ 1,113	\$ -	\$ 8,933
CAPITAL ASSETS BEING DEPRECIATED				
Office equipment	5,946	-	-	5,946
Park equipment	17,426	-	-	17,426
Sewer plant	261,100	-	-	261,100
TOTAL CAPITAL ASSETS BEING DEPRECIATED	284,472	-	-	284,472
Accumulated depreciation				
Office equipment	(4,598)	(446)	-	(5,044)
Park equipment	(17,426)	-	-	(17,426)
Sewer plant	(114,534)	(10,191)	-	(124,725)
TOTAL ACCUMULATED DEPRECIATION	(136,558)	(10,637)	-	(147,195)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	147,914	(10,637)	-	137,277
CAPITAL ASSETS, net	\$ 155,734	\$ (9,524)	\$ -	\$ 146,210

Remaining undeveloped land owned by PMIPA consists of 33.65 acres. Of this amount, 3.23 acres are saleable. The cost reflected on the books for these 3.23 acres is \$7,814. The unusable land of 30.42 acres is comprised of 25.56 acres of required reserved area and 4.86 acres of wetlands.

Pocono Mountains Industries, Inc. (PMI) - Capital assets consist primarily of buildings, computer equipment and furniture being depreciated over their estimated useful lives. The changes in capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS BEING DEPRECIATED				
Computer equipment	\$ 9,117	\$ -	\$ -	\$ 9,117
Building	73,116	-	-	73,116
Furniture	7,930	-	-	7,930
TOTAL CAPITAL ASSETS BEING DEPRECIATED	90,163	-	-	90,163
Accumulated depreciation				
Computer equipment	(5,358)	(1,221)	-	(6,579)
Building	(19,035)	(1,875)	-	(20,910)
Furniture	(7,929)	-	-	(7,929)
TOTAL ACCUMULATED DEPRECIATION	(32,322)	(3,096)	-	(35,418)
CAPITAL ASSETS, net	\$ 57,841	\$ (3,096)	\$ -	\$ 54,745

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - CAPITAL ASSETS (Continued)

Monroe County Municipal Waste Management Authority (MWMA) - Capital assets at December 31, 2014, consist of the following:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014	Depreciation December 31, 2014	Accumulated Depreciation December 31, 2014
CAPITAL ASSETS						
Land	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ -	\$ -
Building	2,855,964	-	-	2,855,964	71,399	751,690
Office furniture	63,395	-	-	63,395	695	60,266
Equipment	1,469,706	14,830	-	1,484,536	20,386	1,377,757
Vehicles	1,126,263	67,612	(33,800)	1,160,075	108,955	748,184
Land improvements	17,355	-	-	17,355	1,157	14,463
CAPITAL ASSETS, net	<u>\$ 5,702,683</u>	<u>\$ 82,442</u>	<u>\$ (33,800)</u>	<u>\$ 5,751,325</u>	<u>\$ 202,592</u>	<u>\$ 2,952,360</u>

Pocono Mountains Municipal Airport Authority (PMMA) - During the year ended December 31, 2000, the property on which the airport is located was conveyed to PMMA from the Commonwealth of Pennsylvania. This deed contains a reversion clause, which would return the airport property back to the Commonwealth if the property were no longer used by PMMA or its successor as a public airport, or June 30, 2050, if PMMA does not act to renew itself. The changes in capital assets were as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 2,375,854	\$ -	\$ -	\$ 2,375,854
CAPITAL ASSETS BEING DEPRECIATED				
Runway improvements	12,960,005	130,500	-	13,090,505
Building and building improvements	2,146,234	3,912	-	2,150,146
Equipment	634,870	2,500	(30,031)	607,339
TOTAL CAPITAL ASSETS BEING DEPRECIATED	15,741,109	136,912	(30,031)	15,847,990
Accumulated depreciation	(5,458,580)	(711,387)	30,031	(6,139,936)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,282,529	(574,475)	-	9,708,054
CAPITAL ASSETS, net	<u>\$ 12,658,383</u>	<u>\$ (574,475)</u>	<u>\$ -</u>	<u>\$ 12,083,908</u>

Redevelopment Authority of Monroe County (MCRDA) - Capital assets activity for the year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
CAPITAL ASSETS BEING DEPRECIATED				
Machinery and equipment	\$ 53,229	\$ -	\$ -	\$ 53,229
Vehicles and transportation equipment	21,798	-	-	21,798
TOTAL CAPITAL ASSETS BEING DEPRECIATED	75,027	-	-	75,027
Accumulated depreciation	(41,515)	(7,807)	-	(49,322)
CAPITAL ASSETS, net	<u>\$ 33,512</u>	<u>\$ (7,807)</u>	<u>\$ -</u>	<u>\$ 25,705</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE K - LOANS RECEIVABLE/PAYABLE

Interfund Loans Receivable

On January 17, 1996, the County issued \$2,520,000 of tax-exempt General Obligation Bonds. The County loaned the funds to the Manor. The Manor is required to repay principal and interest to the County over the life of the bonds. At December 31, 2014, the County has an interfund receivable due from the Manor of \$597,526 in the Debt Service Fund and an interfund loan payable for the same amount in the Enterprise Fund.

In 2002, the County funded various expenses of the Manor for sewage and water and medical expenses that are recorded as interfund receivables from the Manor in Other Enterprise Funds and the Internal Service Fund, respectively, and an interfund payable in the same amounts in the Enterprise Fund. At December 31, 2014, the County had interfund receivables from the Manor of \$153,004 and \$535,926 in Other Enterprise Funds and the Internal Service Fund, respectively, and an interfund payable in the same amounts in the Enterprise Fund.

In January 2014, the Manor obtained a \$390,000 loan from the County for the purpose of paying off the existing line of credit with M&T Bank. This loan is payable in quarterly payments of \$25,000 over a period of no more than four years with accrued interest at 3.68% per annum. At December 31, 2014, the balance on this loan was \$343,104. In November 2014, the Manor obtained a \$300,000 loan from the County for the purpose of working capital. This loan is payable in eighteen monthly payments of \$16,667 with no accrued interest. At December 31, 2014, the balance on this loan was \$300,000. At December 31, 2014, the County has and interfund receivable due from the Manor of \$643,104 in the General Fund and an interfund loan payable for the same amount in the Enterprise Fund.

Loan Receivable from Component Unit

In April 2009, the County issued the Series of 2009 General Obligation Bonds in the amount of \$8,570,000 to refund notes payable on behalf of Pocono Mountains Industries, Inc. (PMI), a component unit of the County. Since the County requires repayment of all borrowing costs, the debt was recorded on PMI as if the component unit had issued the debt itself. The County recorded long-term debt and a corresponding loan receivable from PMI. Principal and interest payments are due when and as lots are sold by PMI in the Pocono Mountains Corporate Centers, with the entire amount of principal and unpaid interest due on December 15, 2023. Interest is accrued on the loan receivable equal to the interest payments required on the Series of 2009 General Obligation Bonds. The balance outstanding was \$7,363,368 at December 31, 2014. The amount is recorded as a note payable by PMI (see Note E).

NOTE L - LAND AND IMPROVEMENTS HELD FOR RESALE - COMPONENT UNITS

Pocono Mountains Industries, Inc. (PMI)

Pocono Mountains Corporate Center East - Pocono Mountains Corporate Center East is the project whereby PMI is redeveloping the former Senda property. The acquisition of this property was a joint effort with the Monroe County Redevelopment Authority. During 1999, PMI acquired this property and is working to redevelop the property in accordance with a plan established by the Monroe County Planning Commission.

The acquisition of the Pocono Mountains Corporate Center East property was accomplished with funding provided by the County in the form of a note payable to the County and construction period bank financing obtained by the County. The bank debt was refinanced by the County and will be repaid from proceeds of sales of the land.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE L - LAND AND IMPROVEMENTS HELD FOR RESALE - COMPONENT UNITS (Continued)

The County, on behalf of PMI, obtained a Capital Redevelopment Assistance Grant of \$2,500,000 for improvements to this property. The County was the recipient of this grant, which was administered by the Monroe County Redevelopment Authority. The County has received all funds due under the terms of the grant.

The purpose of the \$2,500,000 Capital Redevelopment Assistance Grant is to make the development of the Pocono Mountains Corporate Center East economically feasible by providing reimbursement for the excess costs associated with developing this property. In accordance with generally accepted accounting principles, the grant proceeds were recorded as revenue in the period they were earned rather than as an offset of the actual costs that were reimbursed. When lots are sold, the cost of the land sold, as shown in the financial statements, is higher than the selling price due to the high costs associated with developing this property and because the revenue from the grant was reported in the period in which it was earned.

Substantially all work to complete Phase A, Section 1 has been completed. Current plans are for Phase A, Section 2 and Phase B to be completed by December 31, 2019.

As of December 31, 2014, PMI has no commitments for payments on previously approved contracts.

As of December 31, 2014, project costs have been capitalized as follows:

Acquisition	\$ 3,190,047
Construction	3,055,446
Interest	2,779,516
Engineering	1,118,362
Management and administration	98,908
Legal fees	147,552
Other	162,437
ACTUAL COSTS	<u>10,552,268</u>
Estimated cost to complete	<u>7,285,502</u>
TOTAL PROJECT COSTS	<u>17,837,770</u>
Cost of lots sold	<u>(1,751,592)</u>
REMAINING PROJECT COSTS	<u>\$ 16,086,178</u>

Pocono Mountains Corporate Center West (PMCC West) - Pocono Mountains Corporate Center West is the project whereby PMI is developing the former Camp Tegawitha property to create additional business park properties. PMI acquired this property in 1999 and has entered into a sales agreement with Arcadia Properties, LLC (Arcadia), in which Arcadia will purchase the entire site by January 31, 2018.

The acquisition of this property was accomplished through a combination of funding provided by the County for economic development and bank debt guaranteed by the County. The bank debt was refinanced by the County and will be repaid from proceeds of sales of the land.

PMI has acquired approval of a \$2,886,427 grant and a \$6,886,427 loan through the State's Business in Our Sites Program (BIOS). PMI and Arcadia will cooperate in the completion of the infrastructure of the property. During 2010 and 2009, PMI received proceeds from the BIOS grant and loan and, accordingly, paid those amounts over to Arcadia to fund improvements made on this property.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE L - LAND AND IMPROVEMENTS HELD FOR RESALE - COMPONENT UNITS (Continued)

PMI's exposure on the cost of completing the site will be limited to the grant and loan acquired through the BIOS program. PMI negotiated an agreement with Arcadia that 100% of the liability for the loan from BIOS will be Arcadia's responsibility. There is a loan assumption agreement with Arcadia that requires Arcadia to pay all costs and holds PMI harmless from any expense related to the BIOS loan.

During 2012, PMI and Arcadia agreed to an amendment to their original agreement. This agreement sets the selling price for the entire development at \$8,500,000 to be paid in full no later than January 31, 2018. For sales of portions of PMCC West, the agreed-upon price PMI will receive is \$23,350 per acre.

As of December 31, 2014, project costs have been capitalized as follows:

Acquisition	\$ 3,886,959
Construction	1,849,000
Interest	1,223,073
Engineering	591,000
Management and administration	14,425
Legal fees	83,129
Other	<u>43,595</u>
TOTAL PROJECT COSTS	7,691,181
Cost of lots sold	<u>(3,417,737)</u>
REMAINING PROJECT COSTS	<u>\$ 4,273,444</u>

Pocono Mountains Corporate Center South - During 1992, PMI purchased 113 acres of land located in Coolbaugh Township, Monroe County, as part of a park expansion project at Pocono Mountains Corporate Center South. The land is being used to develop additional industrial building sites for resale and future industrial development of the area. The project was financed through a Pennsylvania Power and Light land acquisition loan of \$551,250 and a PIDA loan of \$884,425. During 2000, several developed properties were traded to a neighboring property owner in return for approximately 99 acres of undeveloped land.

Of the 212 acres included in Pocono Mountains Corporate Center South, 77 acres have been sold and 39 acres are not saleable as determined by the engineer. The remaining 96 acres are currently available for sale, 23 acres of which are wetlands that cannot be developed.

The project budget and cumulative expenses as of December 31, 2014, are as follows:

Original project	\$ 1,341,248
Additional expansion and water system improvements	<u>639,978</u>
TOTAL PROJECT COSTS	1,981,226
Cumulative costs of lots sold	<u>(1,248,071)</u>
REMAINING PROJECT COSTS	<u>\$ 733,155</u>

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE L - LAND AND IMPROVEMENTS HELD FOR RESALE - COMPONENT UNITS (Continued)

The cost of land and land improvements is allocated to each lot based on total useable acreage. The cost per useable acre at December 31, 2014, is \$10,043. The remaining project costs are allocated to the remaining lots as follows:

<u>Lot #</u>	<u>Useable Acres</u>	<u>Remaining Project Costs</u>
26	5	\$ 50,216
27	16	160,692
28	<u>52</u>	<u>522,247</u>
	<u>73</u>	<u>\$ 733,155</u>

NOTE M - MORTGAGES AND NOTES RECEIVABLE/PAYABLE - LAND AND BUILDING PROJECTS - COMPONENT UNITS

Pocono Mountains Industries, Inc. (PMI) - PMI is the conduit through which Pennsylvania Industrial Development Authority (PIDA) monies are loaned to businesses located in the County. PMI acts as an intermediary between equitable owners and financial institutions or corporations which provide capital to manufacturing industries.

Mortgages of record are negotiated by PMI with various banks, corporations and PIDA. These mortgages are secured by liens on industrial plants under purchase agreements between the industrial occupant and PMI or for which deeds of reconveyance have been delivered. PMI records these projects as receivables and also records the corresponding liabilities. The liability of PMI on all projects, as represented by various financing methods and obligations other than PIDA financing, is limited to the property involved. There is a loss sharing agreement between PMI and PIDA in which they share the loss of any uncollectible balances. Obligations applicable to property may consist of more than one item, each of which relates to an amount receivable under installment sales or lease purchase agreements. The obligations are annually reduced by the amount received under these agreements.

Notes receivable from land and building projects at December 31, 2014, consist of the following:

Laird Technologies	\$ 20,788
Dalio Holdings	45,886
Dalio Holdings	242,516
Downes & Reader	211,565
Vigon International	768,295
Northwoods Paper Converting	1,736,848
EVS Metals	745,555
Summit Aerospace	<u>407,158</u>
	<u>\$ 4,178,611</u>

The related mortgages and notes payable with PIDA are recorded as liabilities.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE N - NET THIRD-PARTY SETTLEMENT AGREEMENTS - COMPONENT UNITS

Pleasant Valley Manor, Inc. (the "Manor")

As a result of the 2006-2007 Intergovernmental Transfer Agreement, the Commonwealth of Pennsylvania Department of Public Welfare (DPW) makes annual Medicaid Day One Incentive payments paid in equal, quarterly installments to eligible county nursing facilities as an incentive to preserve the critical safety network that county nursing facilities provide to the poor and indigent residents of Pennsylvania. Amounts received by the Manor under this agreement totaled \$859,315 for the year ended December 31, 2014.

Also, as a result of the 2006-2007 Intergovernmental Transfer Agreement, the DPW makes funds available for quarterly payments of the Payment-For-Performance incentive payments to qualifying county nursing facilities. Amounts received by the Manor for these incentive payments totaled \$107,226 for the year ended December 31, 2014.

Retroactively effective July 1, 2007, the DPW was given the authority to collect an assessment from county nursing facilities under the Pennsylvania Nursing Facility Assessment Program, which previously only applied to non-governmental licensed nursing facilities. The revenue from this assessment will be used to maintain Medical Assistance (MA) rates and provide additional reimbursement to MA participating nursing facilities. The Manor is required to pay the assessment on a quarterly basis based upon its quarterly census. For the year ended December 31, 2014, assessment payments totaling \$441,206 were recognized.

Total net third-party settlement agreements recognized for the year ended December 31, 2014, were \$525,335.

NOTE O - COMMITMENTS AND CONTINGENCIES

Operating Leases

The County leases office space, land and certain equipment under various operating leases.

Future minimum lease payment requirements under these leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 1,348,780
2016	603,210
2017	486,948
2018	165,112
2019	108,997
2020 to 2023	<u>206,366</u>
	<u>\$ 2,919,413</u>

Total rental expense for these leases during 2014 approximated \$1,070,632.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE O - COMMITMENTS AND CONTINGENCIES (Continued)

Loan Guarantees

As part of its affordable housing program, the County has guaranteed the outstanding debt of various entities totaling \$2,620,558, including accrued interest of \$89,851. The guaranteed loans mature between 2015 and 2050.

Component Units - Commitments and Contingencies

Pleasant Valley Manor, Inc. (the "Manor") - The Manor has the following commitments and contingencies at December 31, 2014:

Operating Leases - The Manor leased three copiers under operating leases expiring in 2018. Minimum future rental payments under noncancelable operating leases having remaining terms of one year total \$24,096 at December 31, 2014.

Monroe County Industrial Development Authority (MCIDA) - MCIDA functions as an intermediary between business and capital-providing financial institutions or individuals. Federal and state regulations allow certain tax benefits for the lending body, which results in favorable interest rates charged to the owner or lessee.

Legal title to property developed and financed is with MCIDA. The liability of MCIDA on all projects is limited to the property involved. All property costs, rights and responsibilities of ownership, except legal title, remain with the debtor.

On November 1, 1993, the Monroe County Commissioners created the Monroe County Revolving Loan Fund. The fund was created to provide low interest partial financing for eligible businesses and industries in designated portions of the County. MCIDA is responsible to assist in the application process to ensure that applicants meet the basic eligibility criteria. After the application is complete, it is the responsibility of the County Commissioners to review the applications and process approved loans.

The following schedules represent outstanding project balances owed to various financial institutions. MCIDA's liability on all projects is limited to the property involved:

BONDS

Sovereign Bank, trustee for Daliot Holdings, LLP, dated March 7, 2000	\$ 56,391
PNC Bank, trustee for Diocese of Scranton, Notre Dame Junior and Senior High School, dated December 22, 2004	5,919,947
ESSA Bank & Trust, trustee for Pocono Mountain Public Library, Inc., dated May 23, 2011	2,778,567
Univest Bank and Trust Company, trustee for Franconia Mennonite Camp Association, Inc., dated September 20, 2012	<u>3,600,000</u>
	<u>\$ 12,354,905</u>

Pocono Mountains Industrial Park Authority (PMIPA) - PMIPA has acted as an agent to obtain financing for the projects listed below. There is no obligation on the part of the PMIPA for repayment of the loan principal or interest.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE O - COMMITMENTS AND CONTINGENCIES (Continued)

Term Note - \$1,350,000 for the Western Pocono Community Library - On August 25, 1999, the Monroe County Commissioners approved financing arranged by PMIPA for the Monroe County Public Library, trading and doing business as Western Pocono Community Library. The aggregate principal amount of \$1,350,000 was used to construct a new library on approximately four acres of land in Brodheadsville, Pennsylvania.

The financing was provided by a local bank. Interest is fixed at 4.75% for ten years; thereafter, the rate will be adjusted every five years not to exceed 75% of the bank's prime rate of interest. The loan is secured by the library's real property. The final principal payments were made during 2014.

Redevelopment Authority of Monroe County (MCRDA)

MCRDA leases two locations - its administrative offices at 15 South Courtland Street, East Stroudsburg, PA and the Weatherization facilities on Learn Road, Tannersville, PA.

The administrative lease terms are \$1,500 per month expiring March 31, 2015. The Weatherization lease terms are \$800 per month expiring September 30, 2015. The Weatherization lease will not be renewed and the new location will be leased. MCRDA has future lease commitments for the year ended December 31, 2015, of \$14,100.

NOTE P - DEFICIT FUND BALANCES

Component Units

Monroe County Municipal Waste Management Authority (MWMA) - MWMA has an accumulated deficit balance of \$460,303 as of December 31, 2014. This balance is the accumulated net earnings and losses, including depreciation, since MWMA started business.

NOTE Q - RELATED PARTIES - COMPONENT UNITS

Monroe County Conservation District (the "District")

Because of its regulatory duties, the District believes it is essential that fund-raising projects that benefit the District be accomplished by a separate entity. Kettle Creek Environmental Fund coordinates these fund-raising projects and, in turn, contributes money and/or material items to the District.

During 2014, Kettle Creek Environmental Fund contributed a total of \$8,129 to the District. Other contributions consisted primarily of funds to be used for Conservation Camp and Envirothon expenses.

Also in 2014, Kettle Creek Environmental Fund provided funds to the District to pay for local education agencies to send students to the Education Center for various programs. The total of these amounts for 2014 was \$26,579.

Due to the relationship between these organizations, Kettle Creek Environmental Fund is considered to be a component unit of Monroe County Conservation District. However, its financial information has not been included in these financial statements.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE Q - RELATED PARTIES - COMPONENT UNITS (Continued)

The District is organized under the laws of the Commonwealth of Pennsylvania. The District's duties include overseeing the implementation of grant projects funded by the Commonwealth of Pennsylvania to improve and protect the environment. The District receives cost-sharing reimbursements from the Commonwealth of Pennsylvania that cover a portion of the District's personnel and administrative costs. Funding received for 2014 in the form of cost-sharing reimbursements was \$167,769.

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA) and Pocono Mountains Industries, Inc. (PMI)

Throughout the year, there were Board-approved transfers between MCIDA, PMIPA and PMI. Transactions between the organizations primarily result from the reimbursement of allocated expenses.

Pocono Mountains Municipal Airport Authority (PMMA)

During 2014, PMMA entered into transactions with related parties. These transactions consisted of hangar rental and fuel sales with members of the Board of Directors. In addition, PMMA entered into a land lease agreement with two members of the Board of Directors, which allows them to build a hangar on airport property. The total amount of the transactions with related parties as described above for the year ended December 31, 2014, was \$179,822.

Monroe County Municipal Waste Management Authority (MWMA)

MWMA owns a property in Coolbaugh Township, Monroe County, Pennsylvania, that is originally planned to develop, build and operate an advanced recycling sorting, separating and processing facility that would accept recycling from multiple counties within Northeast Pennsylvania. The plan was to have MWMA take all material it collected to this new facility for further processing. It was believed that this facility would be able to market MWMA's material and substantially increase the revenue of MWMA. After a careful and complete review of the financial feasibility of this project, MWMA decided to no longer support the development of the processing facility. The board of MWMA voted unanimously to abandon its participation in this project. It is the intent of MWMA to sell the property, plans and permits as soon as possible.

NOTE R - TAX INCREMENT PROJECT - COMPONENT UNITS

Monroe County Industrial Development Authority (MCIDA)

The County entered into a Tax Increment Project for which MCIDA is the administrator. The objective of the project is to assist Sanofi Pasteur with its expansion plans. Tax increment funds will be used to help finance a wastewater treatment facility. In May 2007, MCIDA obtained debt financing to be used for this project. The total amount of the Tax Increment Financing (TIF) debt was not to exceed \$3,500,000. MCIDA will repay the TIF debt from the tax increment proceeds generated by new development within the TIF District, which is composed of 276 acres, all of which are located within Pocono Township, Monroe County, Pennsylvania. By agreement, the TIF is scheduled to end in November 2021, at which time the debt is scheduled to be paid in full. The outstanding balance at December 31, 2014, is \$1,629,453.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE R - TAX INCREMENT PROJECT - COMPONENT UNITS (Continued)

The County, Pocono Township, and Pocono Mountain School District entered into a Tax Increment Financing Project for which MCIDA is the facilitator. The objective of the project is to assist CBK Lodge, LP, with its development of a destination facility. Tax Increment funds were used to help finance infrastructure improvements. In December 2013, MCIDA closed on debt to be used for this project. The total amount of Tax Increment Financing (TIF) debt was not to exceed \$13,821,000. The TIF debt will be repaid from the tax increment proceeds generated by new development within the TIF District, which is composed of 25 acres located in Pocono Township. By agreement, the TIF is scheduled to end December 2033, at which time the debt is scheduled to be paid in full. The outstanding debt balance at December 31, 2014, is \$13,821,000.

The County, Tobyhanna Township, and Pocono Mountain School District entered into a Tax Increment Financing Project for which MCIDA is the facilitator. The objective of the project is to assist Kalahari Resorts, LLC, with its development of a destination facility. Tax Increment funds were used to help finance infrastructure improvements. In April 2014, MCIDA closed on debt to be used for this project. The total amount of Tax Increment Financing (TIF) debt was not to exceed \$26,000,000. The TIF debt will be repaid from the tax increment proceeds generated by new development within the TIF District, which is composed of 154 acres located in Tobyhanna Township. By agreement, the TIF is scheduled to end July 1, 2033, at which time the debt is scheduled to be paid in full. The outstanding balance at December 31, 2014, is \$26,000,000.

Since TIF debt is payable only from the incremental tax revenues generated by the TIF District, the note payable is not recorded on MCIDA's financial statements as a liability. The Due to TIF District liability is equal to the current balance of the TIF bank accounts, which are included in restricted cash. The balances in these accounts consist of proceeds of debt that has not yet been spent and/or tax payments received in excess of debt service payments made.

NOTE S - ECONOMIC DEVELOPMENT LOANS RECEIVABLE - COMPONENT UNITS

Redevelopment Authority of Monroe County (MCRDA)

One of the functions of MCRDA is to receive federal and state grants for the subsequent disbursement to local businesses for the purpose of economic development. The businesses are selected by the form of application by the local businesses and subsequent approval by the Monroe County Commissioners.

The activity of current economic development loans is as follows:

	Balance January 1, 2014	Additions	Payments/ Reductions	Balance December 31, 2014
PM Econ. Dev. Corp.	\$ 110,000	\$ -	\$ -	\$ 110,000

Interest rates and maturity dates of the economic loans receivable are as follows:

	Interest Rate	Maturity Date
PM Econ. Dev. Corp.	2.75%	March 1, 2017

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE T - COMPENSATED ABSENCES

County employees are credited with vacation at rates that vary with length of service or job classification. Vacation, for most employee categories, may be taken or accumulated within certain limits. To be eligible for paid vacation time, an employee must work a set minimum number of hours or days per month that varies based on employee categories. Vacation days, for most employee categories, must be used prior to March 31 of the succeeding year. One group of employees is allowed to carry forward unused vacation time indefinitely. Employees are paid for earned but unused vacation at time of termination.

A liability to current employees has been estimated and recorded as a liability in the statement of net position. This liability is subject to change, since unused vacation will be paid at the rate of pay in effect at the time of separation. For fund financial statement purposes, the amount of these accumulated leaves that must be used by March 31 of the succeeding year is recorded as a liability in the balance sheet. Accumulated leaves of absence considered to be long-term are recorded as expenditures in the period in which they are taken or as an accrued expenditure in the fiscal year of separation since they do not require current financial resources.

Earned sick leave for non-union employees accumulates from year to year without limit but is deemed to have no monetary value upon termination of employment, including retirement. Therefore, no liability has been established in the statement of net position for accumulated earned but unused sick time for non-union employees.

Employees covered under the Pennsylvania Social Services Union (PSSU) are entitled to earned sick leave at the time of retirement. Employees are paid \$25 per sick day accrued at the time of retirement; therefore, an accrual for PSSU sick time is included in the 2014 compensated absences calculation.

Component Units

Monroe County Municipal Waste Management Authority (MWMA) - Employees of MWMA are entitled to paid vacation, paid sick and personal days off, depending on job classifications, length of service and other factors. Accrued compensation was \$18,514 as of December 31, 2014.

NOTE U - NOTE RECEIVABLE - COMPONENT UNIT

Monroe County Industrial Development Authority (MCIDA) - On December 28, 2009, a promissory note of \$590,000 was issued to Skyline Heights, Inc. MCIDA received the funds from DCED as a grant through the LSA program. Funds will be used for new construction and administrative costs for a 42-unit townhouse development in Smithfield Township, Pennsylvania. The loan bears no interest and was to be repaid in 30 annual principal payments, which were to begin on June 30, 2011. However, during 2011, 2012, 2013 and 2014 MCIDA allowed Skyline Heights, Inc. to defer the first payment. In May 2015, Skyline Heights, Inc. once again requested a deferral. Though not yet approved as of the date of the MCIDA financial, it is believed the MCIDA Board will once again allow the deferral. The first payment will then be due June 30, 2016. The note is scheduled to be repaid in 25 annual principal payments.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE U - NOTE RECEIVABLE - COMPONENT UNIT (Continued)

The payment schedule for the note receivable is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2016	\$ 23,600
2017	23,600
2018	23,600
2019	23,600
2020 to 2024	118,000
2025 to 2029	118,000
2030 to 2034	118,000
2035 to 2039	118,000
2040	23,600
	<u>\$ 590,000</u>

In May 2014, a Small Business Grant/Loan was awarded to Niclaus Engineering in the amount of \$12,000. Half (\$6,000) of the total was awarded as a loan, which will be repaid to MCIDA over 36 months. Monthly payments are \$172, including interest at 2%. The loan will mature May 2017.

NOTE V - GRANTS AND RESTRICTED CASH - COMPONENT UNITS

Monroe County Conservation District (the "District")

Restricted cash consists of cash held in segregated accounts for the NPDES/Clean Water and Dirt and Gravel Road Maintenance Programs. The NPDES/Clean Water account consists of monies received from developers for permit processing, which, in turn, is used to pay related payroll expenses. The Dirt and Gravel Road Maintenance monies consist of advances received from the state that have not yet been paid out under the Dirt and Gravel Road Maintenance Program and accumulated interest thereon. At December 31, 2014, restricted cash also includes amounts contributed to the District restricted for use on expenditures relating to the annual Conservation Camp.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE V - GRANTS AND RESTRICTED CASH - COMPONENT UNITS (Continued)

Monroe County Industrial Development Authority (MCIDA)

MCIDA is the recipient of numerous Local Share Account (LSA) grants from the Commonwealth of Pennsylvania through the Commonwealth Financing Authority. The funds represent the County's share of gaming revenues from Mount Airy Resort and Casino, located in Mt. Pocono, Pennsylvania. The purpose of these grants is to fund significant community and economic development projects throughout the County.

MCIDA has also entered into a number of Redevelopment Assistance Capital Program (RACP) grants which are administered by the Pennsylvania Office of Budget. The grants are to be used for the acquisition and construction of economic, cultural, civic, recreational, and historical improvement projects.

Normally the proceeds of these grants are paid out in full to the organizations that are sponsoring the projects that are being funded. However during 2014, MCIDA received an LSA Grant to create the Monroe County Small Business Grant/Loan Fund. As of December 31, 2014, MCIDA had awarded one grant and one loan as a result of this program. The related cash balance and the note receivable for this program are recorded as restricted equity.

Pocono Mountains Industrial Park Authority (PMIPA)

PMIPA acts as a conduit between granting agencies and various businesses to aid these businesses in obtaining additional funding for various projects. In addition, there are instances whereby PMIPA is the direct benefactor from grant proceeds. These grants provide funding to the individual municipalities for purposes of making improvements to their waste water treatment systems.

During the year ended December 31, 2014, grant income consisted of the following:

PennWorks - Smithfield Township	\$ 61,368
Local Share Account Grant, Sewage Improvement Project	<u>665</u>
	<u>\$ 62,033</u>

NOTE W - PRIOR-PERIOD ADJUSTMENT

A prior period adjustment was made to correct the beginning fixed asset list. For government-wide activities, agricultural easements increased by \$16,505,174, equipment and furniture increased by \$240,487, accumulated depreciation increased by \$82,417 and beginning net position increased \$16,663,244 on the statement of activities.

The County early implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions--an amendment of GASB Statement No. 27*.

GASB Statement No. 68 states that net pension liability should be recognized on the statement of net position as a long-term liability.

For government-wide activities, the County recognized a long-term liability balance of \$5,373,849 at December 31, 2013, on the statement of net position. The County reduced beginning net position for the governmental activities by \$6,439,583.

COUNTY OF MONROE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE W - PRIOR-PERIOD ADJUSTMENT (Continued)

As a result of all prior period adjustments, the County increased beginning net position for government-wide activities by \$10,223,661, from \$3,772,887 to \$13,996,548.

Component Units

Pocono Mountains Industrial Park Authority (PMIPA) - A prior period adjustment has been posted to the books and records of PMIPA in order to correct the recording of prior years' transactions relating to the Exit 298/299 Project. The effects on the 2013 financial statements are to increase net position by \$134,200, decrease deferred revenue by \$123,023 and decrease project expenses by \$11,716.

Redevelopment Authority of Monroe County (MCRDA) - A review of fixed assets indicated the beginning fixed asset list needed adjustments. Fixed assets were reduced by \$46,537 and accumulated depreciation was reduced by \$70,367 which increased net position by \$23,830.

NOTE X - DEFICIENCIES OF REVENUE OVER EXPENSE - COMPONENT UNITS

Pleasant Valley Manor, Inc. (the "Manor")

The Manor incurred deficits of revenues over expenses of \$473,507 during the year ended December 31, 2014. These deficits were partially offset by the County's payments to the Manor of \$190,584 for the year ended December 31, 2014. Over the past three years, management of the Manor has been aggressively seeking ways to reduce costs without sacrificing resident care, as evidenced by an approximate 3% decrease in operating expenses in 2014. In addition, a new union contract was negotiated for three years beginning in 2014 that has several significant cost reductions in labor and benefit expenses in comparison to previous years. The Manor prepared a budget for 2015 incorporating various cost savings measures implemented that reflects a nearly break-even deficit of revenues over expenses after the County allocation payment for 2015 of \$234,428.

NOTE Y - SUBSEQUENT EVENTS

On August 18, 2014, the County entered into a lease purchase agreement for the property located at 701 Main Street, Stroudsburg, Pennsylvania. The agreement states that the County shall pay \$2,200,000 at time of settlement. Settlement has not occurred as of the date of this report.

NOTE Z - SUBSEQUENT EVENTS

As of December 31, 2014, the County has committed \$4,650,000 of the General Fund balance for capital projects as follows:

Parking deck repair project	\$ 300,000
Building improvements for new acquisition and courthouse	3,000,000
Various capital projects	<u>1,350,000</u>
	<u>\$ 4,650,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MONROE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 39,549,494	\$ 39,749,494	\$ 40,611,746	\$ 862,252
Licenses and permits	40,000	40,000	40,661	661
Intergovernmental	5,055,257	6,065,345	5,165,311	(900,034)
Charges for services	9,871,481	8,358,557	10,359,070	2,000,513
Hotel room rental tax	20,000	46,893	46,566	(327)
Investment income	121,820	121,820	103,433	(18,387)
Miscellaneous	150,598	150,598	212,850	62,252
TOTAL REVENUES	54,808,650	54,532,707	56,539,637	2,006,930
EXPENDITURES				
General government				
Administrative	12,023,249	12,018,587	10,533,991	1,484,596
Judicial	14,303,866	13,912,155	12,760,087	1,152,068
Public safety	20,434,639	20,660,407	19,288,169	1,372,238
Public works	258,487	-	-	-
Human services	247,509	247,509	297,133	(49,624)
Culture and recreation	74,175	58,000	64,020	(6,020)
Conservation and development	2,090,736	2,105,636	1,866,579	239,057
Capital improvements	540,190	985,546	248,370	737,176
TOTAL EXPENDITURES	49,972,851	49,987,840	45,058,349	4,929,491
EXCESS OF REVENUES OVER EXPENDITURES	4,835,799	4,544,867	11,481,288	6,936,421
OTHER FINANCING SOURCES (USES)				
Operating transfers in (Note H)	-	-	135,983	135,983
Operating transfers out (Note H)	(4,905,724)	(4,991,472)	(4,803,061)	188,411
Transfers to component units	(146,848)	(146,848)	(63,439)	83,409
TOTAL OTHER FINANCING SOURCES (USES)	(5,052,572)	(5,138,320)	(4,730,517)	407,803
NET CHANGE IN FUND BALANCE	\$ (216,773)	\$ (593,453)	6,750,771	\$ 7,344,224
FUND BALANCE AT BEGINNING OF YEAR			11,595,585	
FUND BALANCE AT END OF YEAR			\$ 18,346,356	

See accompanying note to the budgetary comparison schedule.

COUNTY OF MONROE

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2014

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

Commonwealth of Pennsylvania law (the "County Code") requires that county governments establish budgetary systems and adopt annual operating budgets. The County's annual budget includes the General Fund, certain Special Revenue Funds and the Debt Service Fund and is based on estimates of revenues and expenditures approved by the Commissioners. The County follows these procedures detailed in the County Code in establishing the budgetary data reflected in the financial statements. The following summarizes the County's budget process:

1. The Commissioners, at least 30 days prior to adopting the budget, shall begin the preparation of the proposed budget for the succeeding fiscal year.
2. The Controller shall transmit to the Commissioners comparative statements of revenues for the current and the immediately preceding fiscal year and comparative statements of expenditures, including interest due and to fall due on all lawful interest-bearing debts of the County for the same years.
3. All appropriation requests are submitted by County offices and agencies to the Commissioners via the Fiscal Affairs Office.
4. The Controller's statements, in such form and detail as the Commissioners direct, shall be prepared upon a form or forms furnished, as provided in this subdivision, by the Department of Community and Economic Development of the Commonwealth. With this information as a guide, the Commissioners shall, within a reasonable time, begin the preparation of a proposed budget for the succeeding fiscal year.
5. The proposed budget shall be prepared and adopted not later than December 31, and notice thereof shall be published, and the proposed budget shall be made available for public inspection, for at least 20 days prior to the date set for adopting the budget. The date set for final action on the budget shall likewise be made a matter of public notice for at least ten days prior thereto.
6. Formal budgeting process is employed as a planning device. The budget adopted is on a basis of accounting consistent with accounting principles generally accepted in the United States of America. Budget amounts are as amended by the County Commissioners.

The County maintains budgeting control at an individual fund level. Unexpended appropriations lapse at year-end. During the course of the year, departmental needs may change, emergencies may occur, or additional revenue resources may arise. As a result, funds are occasionally transferred between line items of the department's budget or additional revenues may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and are approved by the County Commissioners. Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with other departments.

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The County is not legally required to adopt a budget on a calendar year basis for the Children and Youth Fund. Therefore, no budgetary comparison information is presented for this fund as part of the County's required supplementary information.

COUNTY OF MONROE
SCHEDULE OF CHANGES IN THE NET PENSION
PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2014

TOTAL PENSION LIABILITY	
Service cost	\$ 1,199,680
Interest	5,758,308
Differences between expected and actual experience	184,379
Benefit payments	<u>(3,348,581)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,793,786
Total pension liability, beginning	<u>77,221,774</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 81,015,560</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 2,837,641
Member	1,437,818
Net investment income	4,706,389
Benefit payments, including refunds of member contributions	(3,348,581)
Administrative expense	(34,773)
Other	<u>31,294</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	5,629,788
Plan fiduciary net position, beginning	<u>71,847,925</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 77,477,713</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 3,537,847</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>95.63%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 25,142,130</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>14.07%</u>

COUNTY OF MONROE
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2014

ACTUARIALLY DETERMINED CONTRIBUTION	\$ 2,837,641
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>2,837,641</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>25,142,130</u>
CONTRIBUTION AS PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>11.29%</u>

NOTES TO SCHEDULE

Valuation Date: January 1, 2014

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	21 years
Asset valuation method	Fair-Market value
Inflation	3.0%
Salary increases	4.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years of service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

COUNTY OF MONROE**SCHEDULE OF PENSION PLAN INVESTMENT RETURNS****YEAR ENDED DECEMBER 31, 2014**

ANNUAL MONEY-WEIGHED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

6.84%

COUNTY OF MONROE
SCHEDULE OF CHANGES IN THE NET PENSION
PLAN LIABILITY AND RELATED RATIOS
(LAST 10 FISCAL YEARS)
YEAR ENDED DECEMBER 31, 2014

TOTAL PENSION LIABILITY	
Service cost	\$ 1,199,680
Interest	5,758,308
Differences between expected and actual experience	184,379
Benefit payments	<u>(3,348,581)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,793,786
Total pension liability, beginning	<u>77,221,774</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 81,015,560</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 2,837,641
Member	1,437,818
Net investment income	4,706,389
Benefit payments, including refunds of member contributions	(3,348,581)
Administrative expense	(34,773)
Other	<u>31,294</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	5,629,788
Plan fiduciary net position, beginning	<u>71,847,925</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 77,477,713</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 3,537,847</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>95.63%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 25,142,130</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>14.07%</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Monroe as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County of Monroe's basic financial statements, and have issued our report thereon dated September 23, 2015. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Monroe County Conservation District, a blended component unit, as well as the Redevelopment Authority of Monroe County, an aggregate discretely presented component unit, as described in our report on the County of Monroe's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In addition, other auditors audited the financial statements of Pleasant Valley Manor, Inc., a blended component unit, as well as the aggregate discretely presented component units of the Monroe County Industrial Development Authority, the Pocono Mountains Industrial Park Authority, Pocono Mountains Industries, Inc., the Monroe County Municipal Waste Management Authority and the Pocono Mountains Municipal Airport Authority, as described in our report on the County of Monroe's financial statements. The financial statements of these component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Monroe's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Monroe's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Monroe's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2004-001 to be a significant deficiency.

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Monroe's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
September 23, 2015

Independent Auditors' Report on Compliance for Each Major Federal and Commonwealth DPW-Funded Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the Pennsylvania Department of Public Welfare Single Audit Supplement

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the County of Monroe's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County of Monroe's major federal programs for the year ended December 31, 2014. We have also audited the County of Monroe's compliance with requirements described in the Pennsylvania Department of Public Welfare (DPW) Compliance Supplement that are applicable to each of its major DPW-funded programs. The County of Monroe's major federal and Commonwealth DPW-funded programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal and Commonwealth DPW-funded programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Monroe's major federal and Commonwealth DPW-funded programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Pennsylvania DPW *Compliance Supplement*. Those standards, OMB Circular A-133 and the Pennsylvania DPW *Compliance Supplement* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or Commonwealth DPW-funded program occurred. An audit includes examining, on a test basis, evidence about the County of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and Commonwealth DPW-funded program. However, our audit does not provide a legal determination of the County of Monroe's compliance.

Basis for Qualified Opinion on CFDA 97.067 Homeland Security Grant Program

As described in item 2014-002 in the accompanying schedule of findings and questioned costs, the County of Monroe did not comply with requirements regarding subrecipient monitoring applicable to its Homeland Security Grant Program. Compliance with such requirements is necessary, in our opinion, for the County of Monroe to comply with the requirements applicable to this program.

To the County Commissioners
County of Monroe
Stroudsburg, Pennsylvania

Qualified Opinion on CFDA 97.067 Homeland Security Grant Program

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the County of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Homeland Security Grant Program for the year ended December 31, 2014.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, the County of Monroe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and Commonwealth DPW-funded programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the County of Monroe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Monroe's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or Commonwealth DPW-funded program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or Commonwealth DPW-funded program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Monroe's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or Commonwealth DPW-funded program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or Commonwealth DPW-funded program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or Commonwealth DPW-funded program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the Pennsylvania DPW *Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.



Oaks, Pennsylvania
September 23, 2015

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

COUNTY OF MONROE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Program Title/County Department	Federal CFDA Number	Pass-Through Entity Identification Number	Accrued or (Deferred) Revenue at December 31, 2013	Federal Grant Receipts	Federal Grant Expenditures	Accrued or (Deferred) Revenue at December 31, 2014
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Pennsylvania Department of Community and Economic Development						
Emergency Food Assistance Program (Administrative Costs)	10.568	8-03-45-113	\$ 6,078	\$ 17,587	\$ 11,509	\$ -
Emergency Food Assistance Program (Food Commodities)	10.569	8-03-45-113	-	253,200	253,200	-
TOTAL FORWARD			<u>6,078</u>	<u>270,787</u>	<u>264,709</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through Pennsylvania Department of Community and Economic Development						
Community Development Block Grants/State's Program	14.228	#C000057651	-	574,884	574,884	-
Emergency Shelter Grants Program (ESG) - Housing Department	14.231	#C000055761	11,897	292,287	327,457	47,067
HOME Investment Partnerships Program	14.239	#C000051355	-	201,169	201,169	-
TOTAL FORWARD			<u>11,897</u>	<u>1,068,340</u>	<u>1,103,510</u>	<u>47,067</u>
U.S. DEPARTMENT OF JUSTICE						
Passed through Pennsylvania Commission on Crime and Delinquency						
Crime Victim Assistance	16.575	2013-VF-05-24336	15,705	68,411	71,802	19,096
Edward Byrne Memorial Assistance Grant	16.738	2012-5603-24264	36,579	115,392	80,923	2,110
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2011-FS-01-24970	-	37,606	37,606	-
TOTAL FORWARD			<u>\$ 52,284</u>	<u>\$ 221,409</u>	<u>\$ 190,331</u>	<u>\$ 21,206</u>

COUNTY OF MONROE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Program Title/County Department	Federal CFDA Number	Pass-Through Entity Identification Number	Accrued or (Deferred) Revenue at December 31, 2013	Federal Grant Receipts	Federal Grant Expenditures	Accrued or (Deferred) Revenue at December 31, 2014
U.S. DEPARTMENT OF LABOR						
Passed through Pocono Counties SDA						
Workforce Investment Act - Adult Program	17.258	135-13-301-1	\$ 24,770	\$ 120,321	\$ 104,618	\$ 9,067
Workforce Investment Act - Youth Program	17.259	135-13-330-1	3,096	242,871	247,021	7,246
Workforce Investment Act - Dislocated Worker Program	17.278	135-13-401-1	34,059	264,524	246,090	15,625
TOTAL FORWARD			<u>61,925</u>	<u>627,716</u>	<u>597,729</u>	<u>31,938</u>
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through Pennsylvania Department of Transportation						
Highway Planning and Construction	20.205	57191	9,313	9,313	-	-
Passed through Pennsylvania Emergency Management Agency						
Hazardous Materials Preparation and Training Response Grant	20.703	#4100064246	6,679	18,617	11,938	-
TOTAL FORWARD			<u>15,992</u>	<u>27,930</u>	<u>11,938</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Commonwealth of Pennsylvania Department of Aging						
Special Programs for the Aging - Title VII, Chapter 3 - Long Term Care	93.041	#4100057904	226	1,360	1,134	-
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	#4100057904	828	3,356	3,093	565
Special Programs for the Aging - Title III, Part D - Medication	93.043	#4100057904	578	4,720	5,650	1,508
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers - Aging	93.044	#4100057904	17,301	173,009	190,310	34,602
Special Programs for the Aging - Title III, Part C - Nutrition Services - Aging	93.045	#4100057904	-	89,586	109,494	19,908
National Family Caregiver Support, Title III, Part E	93.052	#4100057904	6,952	33,801	34,118	7,269
Nutrition Services Incentive Program	93.053	#4100057904	5,386	25,760	28,420	8,046
SUBTOTAL FORWARD			<u>\$ 31,271</u>	<u>\$ 331,592</u>	<u>\$ 372,219</u>	<u>\$ 71,898</u>

COUNTY OF MONROE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Program Title/County Department	Federal CFDA Number	Pass-Through Entity Identification Number	Accrued or (Deferred) Revenue at December 31, 2013	Federal Grant Receipts	Federal Grant Expenditures	Accrued or (Deferred) Revenue at December 31, 2014
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Commonwealth of Pennsylvania Department of Aging						
SUBTOTAL FORWARDED			\$ 31,271	\$ 331,592	\$ 372,219	\$ 71,898
APPRISE - Title VII - Eldr Rgt Program	93.071	#4100057904	1,138	6,272	5,413	279
Medical Assistance Program (Medicaid; Title XIX)						
Pre-Admission Assessments - Aging	93.778	#4100058054	5,729	68,749	68,749	5,729
Aging Disabilities Resource Center	93.778	#4100058054	-	20,000	20,000	-
Medical Assistance Transportation Program (MATP)	93.778	#4100058054	8,423	400,286	391,863	-
Information Referral - Aging	93.778	#4100058054	-	36,899	36,899	-
Federal Nursing Home Transition	93.778	#4100058054	-	865	865	-
CMS Research, Demonstrations and Evaluations	93.779	#4100057904	1,100	1,100	-	-
Passed through Pennsylvania Department of Drug and Alcohol Programs						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	#4100053187	-	562,458	562,458	-
Passed through Pennsylvania Department of Community and Economic Development						
Community Services Block Grant	93.569	#C000057064	180,714	542,716	404,878	42,876
Passed through Pennsylvania Department of Public Welfare						
Guardianship Assistance	93.090		16,804	70,768	73,217	19,253
Caseworker Visitation Grant	93.556		-	8,281	8,281	-
Temporary Assistance for Needy Families	93.558		121,606	205,566	246,694	162,734
Temporary Assistance for Needy Families - Work Ready	93.558	#4100065023	21,635	108,439	82,229	(4,575)
Temporary Assistance for Needy Families - Work Ready	93.558	#4100057856	-	3,967	5,547	1,580
Child Support Enforcement - Title IV-D - Domestic Relations	93.563	#4100030101	427,288	1,629,965	1,458,175	255,498
SUBTOTAL FORWARD			\$ 815,708	\$ 3,997,923	\$ 3,737,487	\$ 555,272

COUNTY OF MONROE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Program Title/County Department	Federal CFDA Number	Pass-Through Entity Identification Number	Accrued or (Deferred) Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	Accrued or (Deferred) Revenue at December 31, 2014
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
SUBTOTAL FORWARDED			\$ 815,708	\$ 3,997,923	\$ 3,737,487	\$ 555,272
Passed through Pennsylvania Department of Public Welfare						
Child Care and Development Block Grant	93.575		-	-	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		-	-	-	-
Child Welfare Services State Grants	93.645		-	40,662	40,662	-
Foster Care, Title IV-E	93.658		355,412	977,895	910,972	288,489
Foster Care, Title IV-E - Administrative Expenses	93.658		6,271	38,896	32,625	-
Adoption Assistance, Title IV-E	93.659		161,160	659,021	680,716	182,855
Social Services Block Grant	93.667		-	66,578	66,578	-
Chafee Foster Care Independence Program	93.674		8,652	34,607	34,607	8,652
TOTAL FORWARD			1,347,203	5,815,582	5,503,647	1,035,268
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
Retired and Senior Volunteer Program	94.002	#13SRAPA004	18,479	84,873	80,829	14,435
TOTAL FORWARD			18,479	84,873	80,829	14,435
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed through Commonwealth of Pennsylvania Emergency Management						
EFSP	97.024	No # Provided	-	1,700	1,700	-
Emergency Management Performance Grants	97.067	#4100059740, #4100063180, #4100065343	81,380	1,655,615	1,599,582	25,347
Emergency Management Performance Grants	97.042	#4100067732	30,685	110,292	104,352	24,745
SUBTOTAL FORWARD			\$ 112,065	\$ 1,767,607	\$ 1,705,634	\$ 50,092

COUNTY OF MONROE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Program Title/County Department	Federal CFDA Number	Pass-Through Entity Identification Number	Accrued or (Deferred) Revenue at December 31, 2014	Federal Grant Receipts	Federal Grant Expenditures	Accrued or (Deferred) Revenue at December 31, 2014
U.S. DEPARTMENT OF AGRICULTURE						
TOTAL FORWARDED			\$ 6,078	\$ 270,787	\$ 264,709	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
TOTAL FORWARDED			11,897	1,068,340	1,103,510	47,067
U.S. DEPARTMENT OF JUSTICE						
TOTAL FORWARDED			52,284	221,409	190,331	21,206
U.S. DEPARTMENT OF LABOR						
TOTAL FORWARDED			61,925	627,716	597,729	31,938
U.S. DEPARTMENT OF TRANSPORTATION						
TOTAL FORWARDED			15,992	27,930	11,938	-
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
TOTAL FORWARDED			-	-	-	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
TOTAL FORWARDED			1,347,203	5,815,582	5,503,647	1,035,268
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
TOTAL FORWARDED			18,479	84,873	80,829	14,435
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed through Commonwealth of Pennsylvania Emergency Management						
SUBTOTAL FORWARDED			112,065	1,767,607	1,705,634	50,092
TOTAL			112,065	1,767,607	1,705,634	50,092
TOTAL FEDERAL AWARDS			\$ 1,625,923	\$ 9,884,244	\$ 9,458,327	\$ 1,200,006

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MONROE
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOTE A - GENERAL

The schedule of expenditures of federal awards includes various departments, offices and agencies directly governed by the County's Board of Commissioners and elected row officers. The schedule does not include federal funds received and expended by independent authorities and other organizations included in the reporting entity under the criteria of the Governmental Accounting Standards Board, as described in Note A to the County's financial statements for the year ended December 31, 2014. Awards pertaining to these entities have been excluded from the accompanying schedules principally because the County is not directly involved in maintaining the accounting records or systems of internal accounting and administrative controls for these entities. Such authorities and organizations are responsible, when necessary, for obtaining separate audits of their federal award programs.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting, which is described in Note A to the County's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE C - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/State's Program	14.228	\$ 574,884
HOME Investment Partnerships Program	14.239	\$ 201,169
Temporary Assistance for Needy Families - Work Ready	93.558	\$ 82,229
Medical Assistance Program	93.778	\$ 391,863
Block Grant for Prevention and Treatment of Substance Abuse	93.959	\$ 562,458
Emergency Management Performance Grants	97.042	\$ 104,352
Homeland Security Grant Program	97.067	\$ 586,086

NOTE D - PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

<u>Pennsylvania Department of Public Welfare Award Programs</u>	<u>Expenditures</u>
Child Support Enforcement Program	\$ 1,958,297
County Children and Youth Social Service Programs	15,037,493
Medical Assistance Transportation Program	807,840
Combined Homeless Assistance Program	<u>50,202</u>
 TOTAL COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF PUBLIC WELFARE AWARDS	 <u><u>\$ 17,853,832</u></u>

COUNTY OF MONROE
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOTE D - PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE (Continued)

Pennsylvania Department of Public Welfare (DPW) expenditures include federal awards passed through the DPW. The amounts are as of June 30, 2014, and are on the modified accrual basis of accounting.

The supplemental schedule of selected DPW awards includes various departments, offices and agencies directly governed by the County's Board of Commissioners. The supplemental schedule does not include DPW funds received and expended by independent authorities and other organizations included in the reporting entity under the criteria of the Governmental Accounting Standards Board, as described in Note A to the County's financial statements for the year ended December 31, 2014. These authorities and organizations are responsible, where necessary, for obtaining separate audits of their DPW award programs.

NOTE E - ADJUSTMENTS TO BEGINNING BALANCES

As a result of information obtained during 2014, adjustments to accrued (deferred) revenue at December 31, 2013, were necessary for the programs listed below. A schedule of adjustments is as follows:

Grant Program/Title	Federal CFDA Number	Accrued (Deferred) Revenue at December 31, 2013	Adjustment	Accrued (Deferred) Revenue at January 1, 2014
ARRA - Edward Byrne JAG Grant	16.804	\$ 6,973	\$ (6,973)	\$ -
Pipeline & Hazardous Materials Safety Administration	20.703	-	6,679	6,679
Child Welfare Services State Grant	93.658	-	6,271	6,271
Chafee Foster Care Independence Program	93.674	-	8,652	8,652
Emergency Management Performance Grants	97.042	-	30,685	30,685
Disaster Grants - Public Assistance	97.036	(7,785)	7,785	-
		<u>\$ (812)</u>	<u>\$ 53,099</u>	<u>\$ 52,287</u>

Reconciliation of the schedule of expenditures of federal awards totals:

TOTAL ACCRUED (DEFERRED) REVENUE

January 1, 2014	\$ 1,625,923
December 31, 2013	<u>1,572,824</u>

**TOTAL ADJUSTMENT TO ACCRUED
(DEFERRED) REVENUE AT
BEGINNING OF YEAR**

\$ 53,099

COUNTY OF MONROE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the County of Monroe.
2. One significant deficiency relating to the audit of the financial statements is reported.
3. No instances of noncompliance that are material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness in internal control over major federal and DPW-funded award programs was reported.
5. The auditors' report on compliance expresses a qualified opinion relating to compliance with the subrecipient monitoring requirements for the Homeland Security Grant Program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Major federal programs for the County of Monroe for the fiscal year ended December 31, 2014, are:

Program Name	CFDA
Community Development Block Grants/State's Program	14.228
Emergency Solutions Grants Program	14.231
Child Support Enforcement	93.563
Medical Assistance Program	93.778
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Homeland Security Grant Program	97.067

8. Major DPW-funded programs for the County of Monroe for the fiscal year ended December 31, 2014, are:

Program Name	Grant Number
Child Support Enforcement	N/A
Medical Assistance Transportation Program	N/A
Homeless Assistance Programs	N/A

These programs have not been assigned grant numbers by the Commonwealth of Pennsylvania Department of Public Welfare.

9. The threshold for determining Type A programs for the County of Monroe is \$300,000, as those terms are defined in OMB Circular A-133.
10. The County of Monroe is considered a high-risk auditee, as that term is defined in OMB Circular A-133.

COUNTY OF MONROE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2014-001 Lack of Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards

Criteria: The County is required to prepare a schedule of expenditures of federal awards in accordance with OMB Circular A-133. Internal controls must be in place to ensure the County properly reports all federal expenditures on this schedule.

Condition: The County failed to properly identify all federal grant expenditures required to be reported on the 2013 schedule of expenditures of federal awards.

Cause: The County lacks a system of proper internal controls over the completeness of the information reported on the schedule of expenditures of federal awards.

Effect: Multiple errors on the schedule of expenditures of federal awards were identified. These errors were significant and were corrected as a result of audit procedures performed and through further review and follow-up with County personnel.

Recommendation: We recommend the County institute procedures to ensure that an accurate and complete schedule of expenditures of federal awards is maintained. The County should prepare and update this schedule on an ongoing basis throughout the year. It was noted during our audit that procedures were implemented during 2013 and 2014 in order to enhance controls over preparation of this schedule; however, additional controls are still needed related to tracking of grants that are managed by County departments. We recommend the County centralize the tracking of all grant receipts and expenditures by instituting additional oversight procedures within the Controller's Office for grants managed by other County departments.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2014-002 EMERGENCY MANAGEMENT PERFORMANCE GRANTS - CFDA NO. 97.067

Criteria: The County is required to monitor any subrecipients of expenditures of federal awards in accordance with OMB Circular A-133. Internal controls must be in place to ensure the County properly performs its monitoring duties.

Condition: The Monroe County Control Center receives significant federal award funding in the form of equipment grants passed through the County of Monroe. The federal funding expended by the Monroe County Control Center exceeded the \$500,000 threshold for requiring a single audit during 2013 and 2014, but the Center did not have the requisite single audits performed in accordance with OMB Circular A-133. The County failed to detect this issue during its ongoing subrecipient monitoring efforts.

COUNTY OF MONROE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)

Cause: The County lacks a system of proper internal controls over its monitoring efforts to ensure all subrecipients of federal grant funding are receiving the required single audits in accordance with OMB Circular A-133.

Effect: The Monroe County Control Center is not in compliance with requirements of OMB Circular A-133, which could potentially jeopardize both its ability and the County's ability to receive future grant funding.

Recommendation: We recommend the County institute procedures to ensure that all subrecipients are monitored appropriately. Monitoring procedures should include reviewing annual audited financial statements and single audit reports of each subrecipient to determine grant funds are appropriately reported and single audits are performed when grant funding spent exceeds the threshold requiring such an audit.

COUNTY OF MONROE
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014

FA-13-01 Lack of Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards

Description of Finding: The County failed to properly identify all federal grant expenditures required to be reported on the 2013 schedule of expenditures of federal awards.

Current Status: Partially corrected, see finding FA 13-01. Procedures were implemented during 2014 in order to enhance controls over preparation of this schedule; however, additional controls are still needed related to tracking of grants that are managed by County departments.